

*Metternich and the Rothschilds: “A Dance with Torches on Powder Kegs”?*¹

BY NIALL FERGUSON

I

On 3 April 1848, as he passed incognito through Arnhem on his way into English exile, Prince Klemens Wenzel Nepomuk Lothar von Metternich-Winneburg wrote a lengthy letter to his banker, Baron Salomon von Rothschild. He began by thanking Rothschild for the letter of credit he had sent him, and ended by saying he would turn to the Rothschild house in London if he needed further financial assistance – adding drily that he would not need much, as he “looked forward to living a truly *bürgerlich* life” there. The rest of his letter, however, was entirely given over to political reflections. These are worth quoting at length for the light they shed on one of the most extraordinary, yet hitherto largely neglected, relationships of the *Vormärz* era:

What disorder the world has fallen into! You always used to ask me whether war was in sight. You always heard me reassure you that this was not the case and as long as *I* had the reins in my hands I would be able to vouch for political peace. The danger of the day was not on the field of political war, but of *social* war. On this field too I have held the reins in my hands as long as was humanly possible. On the day when that possibility ceased, I stepped down from the driver’s seat, for being overthrown is against my nature. If I am asked whether that could have been avoided by what naive utopians call Reform, I reply with a categorical *No* – for the logical reason that the measures which *today* are called Reforms and which might, under some conditions, have had the merit of bringing improvements, could have had no more value, given the situation of society as it was, than a dance with torches on powder kegs. I have the ability to think and fortunately also the ability to act according to my convictions. My spirit follows a practical course and has always eschewed any kind of deceit. You, dear Salomon, have understood me for years. Many others have not.

¹This paper draws on my book *The World’s Banker: The History of the House of Rothschild*, London 1998. I would like to express my gratitude to Sir Evelyn de Rothschild, the Chairman of N. M. Rothschild & Sons Ltd., for giving me unrestricted access to the firm’s pre-1918 archive in London (henceforth RAL), and to the archivists there, Victor Gray, Melanie Aspey and their assistants. I would also like to thank the archivists at the Archives Nationales, Paris (henceforth AN), the Centre for the Preservation of Historical and Documentary Collections, Moscow (henceforth CPHDCM) and the Frankfurt Stadtarchiv, as well as those at the other archives and libraries I used. I would like to thank Edward Timms and the other organisers of the conference on “Progress and Emancipation in the Age of Metternich: Jews and Modernization in Austria and Germany 1815–1848”, held at the Centre for German-Jewish Studies at the University of Sussex in April 1999, at which the paper was first presented.

Things in France are only just beginning. Never before has there been a greater, more deep-seated confusion. Since the [Napoleonic] Empire, France has stood there like a crumbling building with an artificial covering. All its main structures were rotten through and through and were bound to weaken at the first blow. That blow has been Communism, which has spread like a rampant weed over the entire field. The conservatives in that country have relied on the opposition which the existing interests would put up against this evil; what they did not take into account was that on the day they were endangered these interests would be unable to put up resistance, as they would at that moment find themselves enfeebled.

The objective is revolution and destruction, without protecting the citizen ... The wreckers cannot stand up for their own doings, so they have chosen to call it the overthrow of the *Metternich* system. ... [H]owever, I can only stand on my own, i.e. the established tradition ... It is nonsense that freedom is attainable by way of any system, only wilful impostors and brainless folk can preach this gospel. The root of freedom is authority, not as an end in itself, but as a beginning. I am and always was a friend of freedom, therefore no friend of *systems*, consequently the overthrow of the Metternich system is likewise the overthrow of the Austrian Empire and of prosperity.

I am writing you this philosophical letter in order that you understand my view of the situation. ... I am today in the same state of equanimity and good humour that you have known for thirty and more years, since I have unswervingly wanted and sought the same thing, so that my spirit and conscience are in the utmost equilibrium.²

This remarkable document can be read as an epitaph for a partnership which was to the period before 1848 what the relationship between Bismarck and Bleichröder was to the period after.³ Metternich biographers have long been aware of the Metternich-Rothschild link,⁴ as have previous historians of the Rothschild family.⁵ But until now this and other archival sources essential for a proper understanding of the Metternich-Rothschild relationship have been inaccessible. This paper seeks to delineate that relationship and to address a number of important questions it raises.

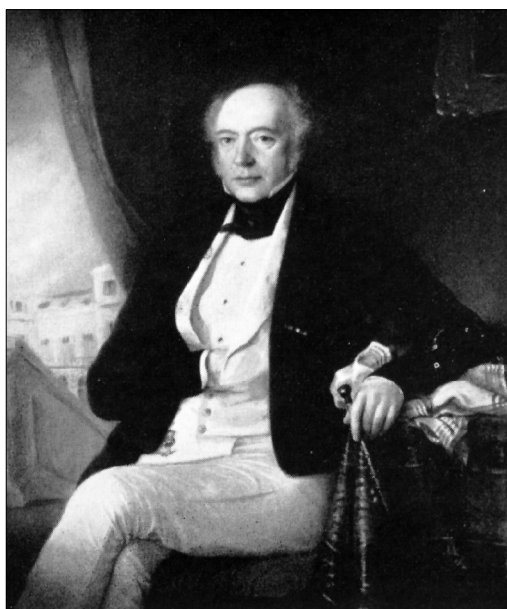
How far did the Rothschilds act as mere financial props for a “reactionary” regime in the Habsburg lands and beyond – a charge often levelled against the family by contemporary critics? Or were they able to use their financial leverage to accelerate the progress of Jewish emancipation and, more generally, the economic modernisation of the Habsburg lands? As will become clear, these are far from straightforward questions. If we define “emancipation” to mean the achievement of equal civil and political rights for all Jews, we exclude much that the Rothschilds consciously did on

²CPHDCM, 637/1/3/316, Metternich, Arnhem, to Salomon, Vienna, April 3, 1848. Cf. Frank Trentmann, ‘New Sources on an Old Family: The Rothschild Papers at the Special Archive, Moscow – and a Letter from Metternich’, *Financial History Review* (1995), pp. 76ff.

³See Fritz Stern, *Gold and Iron: Bismarck, Bleichröder and the Building of the German Empire*, Harmondsworth 1987.

⁴See A. Harman, *Metternich*, London 1932; Algernon Cecil, *Metternich, 1773–1859: A Study of his Period and Personality*, London 1933; H. du Coudray, *Metternich*, London 1935; Paul W. Schroeder, *Metternich's Diplomacy at its Zenith, 1820–2*, Austin 1962; Guillaume André de Bertier de Sauvigny, *Metternich and his Times*, London 1962; *idem*, *Metternich et la France après le congrès de Vienne*, Paris 1968; Alan Palmer, *Metternich: Councillor of Europe*, London 1972.

⁵The best account in this respect is Count Egon Corti, *The Rise of the House of Rothschild*, London 1928; *idem*, *The Reign of the House of Rothschild*, London 1928.



Salomon von Rothschild

behalf of their “poorer co-religionists”, including the acquisition of privileges for themselves. If we regard the construction of an international bond market and a pan-European railway network as classic symptoms of modernisation, then no doubt the Rothschilds were agents of modernisation. But did these advances necessarily run counter to Metternich’s conservative political programme?

II

The image of the Rothschilds as “underwriters” of the Holy Alliance dates from the early 1820s. In a letter to his wife in 1826, the itinerant German Prince Pückler-Muskau referred to Nathan Rothschild – the head of the London branch of the family and the *primus inter pares* of Mayer Amschel Rothschild’s five sons – as “the chief ally of the Holy Alliance”.⁶ A British cartoon of 1824 satirised the Rothschild-founded Alliance Assurance Company as the “Hollow Alliance Fire and Life Preserving Office”.⁷ In 1821 Nathan even received a death threat because of “his connexion with foreign powers, and particularly the assistance rendered to Austria, on account of the designs of that government against the liberties of Europe”.⁸ To the Frankfurt-born poet Ludwig Börne, it was “unquestionable that most of the peoples

⁶Hermann Fürst von Pückler-Muskau, *Briefe eines Verstorbenen: Vollständige Ausgabe*, ed. Heinz Ohff, Kupfergraben 1986, p. 441.

⁷Alfred Rubens, *Anglo-Jewish Portraits*, London 1935, p. 299.

⁸*The Times*, Jan. 15, 1821.

of Europe would by this time be in full possession of liberty if the Rothschilds ... and others did not lend the autocrats the support of their capital".⁹ In Heine's "Travel Sketches" too, "Rothschild I" appears alongside Wellington, Metternich and the Pope as a bulwark of reaction.¹⁰ Although Heine later modified his opinions as he got to know James de Rothschild in Paris, other Germanophone writers continued to portray the Rothschilds in similar terms into the 1840s and beyond. Writing in 1846, the poet Karl Beck lamented "Rothschild's" refusal to use his financial power on the side of the "peoples" – and particularly the German people – instead of their detested princes.¹¹

The Rothschilds certainly had the resources to give the Holy Alliance financial substance. When the Austrian Emperor remarked to his envoy in Frankfurt in 1817 that the eldest brother Amschel was "richer than I am," he was not being wholly facetious.¹² In 1815 the combined capital of the Rothschild houses in Frankfurt and London was at most £500,000. Three years later, however, the figure was £1.8 million and by 1828 it stood at £4.3 million.¹³ These are astonishing figures: the Rothschilds' nearest rivals, the Barings, had total capital of less than £310,000 in 1828.¹⁴ Moreover, by 1836 the Rothschilds' capital had increased again to more than £6 million.¹⁵ This explains the family's dominance of the international capital market in the *Vormärz* period. Between 1818 and 1832 the London branch of the partnership accounted for at least 38 per cent of the total value of loans issued in London by foreign governments;¹⁶ indeed, the bank's own figures suggest that this may be an underestimate.¹⁷ The table below gives a breakdown of the loans issued by the London house between 1818 and 1846. Austria alone issued loans worth more than £3 million between 1818 and 1846 through the London Rothschilds; and this omits the substantial sums advanced to the Austrian government by the other Rothschild houses – beginning in 1820, when Salomon jointly organised two lottery loans worth 45 million Austrian gulden (c. £4.8 million) in partnership with David Parish. It was this transaction which persuaded Salomon to remain in Vienna on a more or less permanent basis.¹⁸

⁹Ludwig Börne, *Mittheilungen aus dem Gebiete der Länder- und Völkerkunde, zweiter Theil*, Offenbach 1833, pp. 142–155.

¹⁰S.S. Praver, *Heine's Jewish Comedy: A Study of his Portraits of Jews and Judaism*, Oxford 1983, pp. 128f.

¹¹Karl Beck, *Lieder vom armen Mann, mit einem Vorwort an das Haus Rothschild*, Leipzig 1846, pp. 4ff.

¹²RAL, XI/82/9/1/100, Amschel, Frankfurt, to James, Paris, April 30, 1817.

¹³CPHDCM, 637/1/8/1–7; also RAL, RFamFD, B/1, Articles of agreement between Messrs de Rothschild [Amschel, Nathan, Salomon, Carl, Jacob and Anselm], Aug. 31, 1825; CPHDCM, 637/1/7/48–52, Abschrift [Partnership agreement], Sept. 26, 1828; CPHDCM, 637/1/6/17, General Inventarium ... das gesamte Handelsvermögen, Sept. 26; CPHDCM, 637/1/6/44, 45, No. 4: General Capital [summary of total capital], Sept. 26.

¹⁴Philip Ziegler, *The Sixth Great Power: Barings, 1762–1929*, London 1988, p. 374.

¹⁵CPHDCM, 637/1/7/53–69, Vollständige Abschrift des Societäts-Vertrags ... Übereinkunft, July 30, 1836.

¹⁶Stanley Chapman, *The Foundation of the English Rothschilds: N. M. Rothschild as a Textile Merchant, 1799–1811*, London 1977, p. 20.

¹⁷J. Ayer, *A Century of Finance, 1804 to 1904: The London House of Rothschild*, London 1904.

¹⁸Corti, *Rise*, pp. 245–9.

Loans issued by the London Rothschilds, 1818–1846

<i>Borrower</i>	<i>Total (£)</i>	<i>Percentage of total</i>
Britain	44,938,547	29.2
France	27,700,000	18.0
Prussia	12,300,400	8.0
Russia	6,629,166	4.3
Austria	3,100,000	2.0
Naples	7,000,000	4.5
Holy Alliance*	29,029,566	18.8
Portugal	5,500,000	3.6
Brazil	4,486,200	2.9
Belgium	11,681,064	7.6
Other states**	5,843,750	3.8
Private sector	24,900,000	16.2
Total	154,079,127	100.0

* Prussia, Russia. Austria and Naples. ** Holland, Greece and Denmark.

Source: Ayer, *Century of Finance*, pp. 14–42.

As early as August 1820 the Bremen delegate to the German Confederation's Diet in Frankfurt had a conversation with his Austrian counterpart Count Buol which acutely identified the unrivalled extent of the Rothschilds' political influence in Europe:

This house has, through its enormous financial transactions and its banking and credit connections, actually achieved the position of a real Power; it has to such an extent acquired control of the general money market that it is in a position either to hinder or to promote, as it feels inclined, the movements and operations of potentates, and even of the greatest European Powers. Austria needs the Rothschilds' help for her present demonstration against Naples, and Prussia would long ago have been finished with her constitution if the House of Rothschild had not made it possible for her to postpone the evil day.¹⁹

The Frankfurt banker Simon Moritz Bethmann could "well understand why the Rothschilds are such useful instruments for the [Austrian] government".²⁰

Nor were government loans the only way the Rothschilds lent financial support to Habsburg rule. Before 1830 the Rothschild brothers' charity had been largely confined within the Jewish communities of Frankfurt, London and Paris. After 1830 Salomon made a point of contributing to causes which were regarded as good by the Habsburg elite. In the very dry summer of 1835, he offered 25,000 gulden towards the construction of an aqueduct from the Danube to the Vienna suburbs.²¹ When Pest and Ofen were badly flooded three years later, he hastened to offer financial assistance for the

¹⁹Richard Schwemer, *Geschichte der Freien Stadt Frankfurt a. M. (1814–1866)*, Frankfurt am Main 1910–18, vol. II, pp. 149ff.

²⁰Wilfried Forstmann, *Simon Moritz Bethmann, 1768–1826: Bankier, Diplomat und politischer Beobachter*, Studien zur Frankfurter Geschichte, ed. Frankfurter Verein für Geschichte und Landeskunde, Frankfurt am Main 1973, pp. 260–4.

²¹Corti, *Reign*, p. 166.

victims.²² He donated 40,000 gulden to found an institute for scientific research in Brünn.²³ So frequently did Salomon act in this way that it was possible for a sentimental novella of the 1850s to portray him as a kind of Viennese Santa Claus.²⁴

Moreover, the Rothschilds made a substantial contribution to Metternich's private finances. Although born into an aristocratic family with estates in the Mosel valley, Metternich was "cash-poor" for much of his long political career. Within a year of the Rothschilds' first meetings with him – in Paris during the 1815 peace negotiations²⁵ – he raised the possibility of a loan of 300,000 gulden with Amschel and Carl Rothschild in Frankfurt.²⁶ The arrangement he proposed was that the Rothschilds should advance him 100,000 gulden and sell a further 200,000 gulden of 5 per cent bonds to other investors, all secured on the new estate at Johannisberg which the Austrian Emperor had just given him. In fact, Carl was reluctant to lend so much to a single individual, no matter how wealthy,²⁷ and the brothers preferred at this stage to limit their generosity to routine banking services and occasional gifts, like the Wedgwood china Nathan sent Metternich in 1821.²⁸ In 1822, however, the brothers agreed to make a loan of 900,000 gulden.²⁹ And at Verona in 1823 Salomon furnished the prince with cash to meet his (considerable) personal expenses.³⁰

This was just the beginning of a long financial relationship, the evidence of which can be found in the silver box, recently rediscovered in Moscow, where Salomon Rothschild kept Metternich's accounts and private financial correspondence. These long-lost bank statements show that between 1825 and 1826 Metternich was in a position to repay the loan of 1822.³¹ However, no sooner had he done so – ahead of schedule – than a new loan for 1,040,000 gulden (c. £110,000) was arranged, roughly half of which the prince used to purchase a new estate at Plass.³² The balance

²²*ibid.*, p. 177.

²³*ibid.*, pp. 234–239.

²⁴Adolf Bäuerle, *Wien vor zwanzig Jahren: oder Baron Rothschild und die Tischlerstochter*, Pest – Wien – Leipzig 1855, esp. pp. 179–187.

²⁵RAL, XI/109/2/1/63, Salomon, Paris, to Nathan, Sept. 10, 1815; RAL, XI/109/2/2/83, Amschel to Salomon and James, Sept. 17; RAL, T3/228, Metternich to MAR, Sept. 30.

²⁶RAL, T31/238/4, XI/109/4, Carl, Frankfurt, to James, Paris, June 2, 1816; RAL, T33/375/2, XI/109/5B, Amschel, Frankfurt, to James, Dec. 18.

²⁷RAL, T61/4/1, XI/109/6, Carl, Berlin, to Salomon, Nathan and James, Jan. 7, 1817; RAL, T61/9/1, XI/109/6, Carl to Amschel, Frankfurt, Jan. 10.

²⁸RAL, T64/125/3, XI/109/9, Carl, Frankfurt, to Nathan and Salomon, April 7, 1818; RAL, T3/229, Metternich to Nathan, London, July 2, 1820; RAL, T52/4, Captain Bauer, Chandos House, to Nathan, London, July 22, 1821. Two years later, Nathan purchased a jewel-encrusted box from Metternich: RAL, T5/212, Salomon, Vienna, to Nathan, London, April 7, 1823.

²⁹C. W. Berghoeffer, *Meyer Amschel Rothschild: Der Gründer des Rothschild'schen Bankhauses*, Frankfurt am Main 1924, pp. 209ff.

³⁰Corti, *Rise*, p. 311.

³¹CPHDCM, 637/1/18/23, Metternich's current account for the period Sept. 26, 1825 to June 30, 1826. Metternich had a gross income of 266,590 gulden for the three quarters covered by the statement, and outgoing totalling 78,164 gulden, leaving a credit balance of 188,426 gulden.

³²CPHDCM, 637/1/18/3–11, "Vertrag ... zwischen seinem Durchlaucht dem hochgeborenen Herrn P. J. Fürsten Clemens, Wenzel, Lothar von Metternich Winneburg, Seinem k.k. Apostolischen Majestät Haus-, Hof- und Staatskanzler einer-, und dem Herrn Salomon Mayer Freiherrn von Rothschild ... andererseits", March 20, 1827; CPHDCM, 637/1/18/26, Metternich to MAR, March 20; CPHDCM, 637/1/18/22, Metternich current account for the period Feb. 16, 1826 to March 31, 1827; CPHDCM, 637/1/18/24,25, Untitled statement of Metternich's mortgage on Plass, 1827–1858.

sheet of the Vienna house shows that Salomon retained some 35,000 gulden of the bearer bonds issued by Metternich to pay for Plass, on top of which he owed an additional 15,000 gulden.³³ His total private debt to the Rothschilds grew in the succeeding two years to nearly 70,000 gulden.³⁴ In addition, the Frankfurt house advanced over 117,000 gulden to Metternich's son Victor.³⁵ When the prince married again in 1831, Salomon was on hand to help resolve the financial difficulties of his third wife, Countess Melanie Zichy-Ferraris.³⁶

Nor did the Rothschilds confine themselves to loans and overdrafts. "Our friend Salomon's devotion always touches me," remarked Princess Melanie in her diary in May 1841, on receiving a present from him of American deer for their estate near Frankfurt. A few months later, she described a visit by "Salomon and James, their nephew Anthony and Salomon's son and finally Amschel, who made a great point of our coming to dine with him at Frankfurt next Tuesday. James brought me a pretty mother-of-pearl and bronze box from Paris, filled with sweets, which was all to the good". At Christmas in 1843, Salomon visited the Metternichs at Ischl, bringing "lovely things to the Metternich children, such as tempted their mother to play with them herself".³⁷

Metternich was not the only eminent Austrian to put his private financial affairs in Salomon's hands. Another beneficiary was the prince's secretary, Friedrich Gentz, who had acquired the habit of selling political influence for cash long before he came into contact with the Rothschilds.³⁸ After an initial encounter in Frankfurt, Gentz met Carl and Salomon at Aachen in 1818. On 27 October he recorded in his diary that Salomon had handed him 800 ducats, supposedly the proceeds of a successful speculation in British stocks. A few days later, there were more "pleasant financial dealing with the brothers".³⁹ Gentz was soon paying regular visits to his new friends, whose apparently instinctive ability to make money deeply impressed him. He had regular business dealings with Salomon thereafter: a minor transaction in late 1820, a small loan at Laibach in 1821, a share in the Neapolitan loan of the same year, which quickly earned him 5,000 gulden. His diaries in this period make repeated references to "very agreeable communications" from Salomon; "important financial arrangements" with him; "a proof of real friendship" over breakfast; "matters which, although not so elevated [as diplomacy], were far more pleasant"; and "highly welcome financial transactions with the excellent Rothschild".⁴⁰ The pattern con-

³³CPHDCM, 637/1/6/22, 25, Abschluß der Wiener Filial, June 30, 1828; AN, 132 AQ 3/2 No. 5, Balance, Vienna Filial of MAR, Sept. 26.

³⁴CPHDCM, 637/1/18/34–6, Metternich to Salomon, March 8, 1829; CPHDCM, 637/1/18/39, Metternich current account for the period July 16, 1827 to March 31, 1829, which shows that Metternich's income in the accounting period was 6,922 gulden, his outgoings 76,320 gulden; CPHDCM, 637/1/18/40, Salomon to Metternich, Oct. 26, 1829.

³⁵CPHDCM, 637/1/18/19, Ausweis, Dec. 30, 1829.

³⁶Corti, *Reign*, pp. 54f.

³⁷R. Metternich-Winneburg (ed.), *Aus Metternichs nachgelassenen Papieren*, Vienna 1880–1884, vol. IV, pp. 491, 493, 495.

³⁸Richard Ehrenberg, *Große Vermögen*, vol. I: *Die Fugger, Rothschild, Krupp*, 3rd edn., Jena 1925, pp. 101ff.

³⁹Paul R. Sweet, *Friedrich von Gentz* (Westport, Conn. 1970), p. 219; Golo Mann, *Secretary of Europe: The Life of Friedrich von Gentz, Enemy of Napoleon*, New Haven 1946, p. 256; Cecil, *Metternich*, pp. 154f.

⁴⁰CPHDCM, 637/1/309, Gentz to Salomon, Dec. 17, 1820; CPHDCM, 637/1/309, same to same, Jan. 8, 1821; Corti, *Rise*, pp. 267, 294, 305–310, 322f., 368, 398; Ehrenberg, *Große Vermögen*, p. 107; Sweet, *Gentz*, p. 249; Coudray, *Metternich*, p. 246.

tinued throughout the decade. In 1829 Salomon lent Gentz 2,000 gulden “with the most amiable readiness”, bringing his total debts to Salomon and other bankers to over 30,000 gulden. Such loans were regarded by Gentz as “donations pure and simple”.⁴¹ Indeed, according to one account, Salomon finally dispensed with the fiction that the money would ever be repaid by paying Gentz an annual retainer,⁴² though this did not prevent Gentz from pleading for yet another loan of 4,500 gulden from Salomon, and gratefully settling for 500 gulden to tide him over.⁴³

III

All this makes it exceedingly tempting to conclude that the relationship between Metternich and Salomon was the traditional eighteenth-century relation between prince and *Hofjude*. In return for financial favours for himself and his associates, it could be argued, Metternich rewarded Salomon with protection and privileges – as distinct from conferring rights on Jews in general, the essence of emancipation.

Protection was certainly needed. In Frankfurt the much-resented fact that the Rothschilds were now “richer than Bethmann” was widely seen as evidence of the need to restore the traditional legal restrictions on the Jewish minority.⁴⁴ In 1817 noisy crowds gathered outside Amschel’s newly acquired garden, itself a symbol of Jewish social mobility, to mock his even more recent ennoblement, “chanting ‘Baron Amschel’ and all sorts of stupidities”.⁴⁵ Caricatures were pinned to his door, and the Rothschilds’ office windows were among those broken during the *Hep! Hep!* riots of 1819.⁴⁶ At around the same time, Amschel also received death threats.⁴⁷ Nor was such “anti-Rothschildism” confined to Frankfurt. Wherever the firm secured a large proportion of government business, local rivals often reacted with religiously-tinged attacks. In Vienna, for example, the 1820 lottery loan which Salomon arranged in tandem with David Parish was widely criticised as “a shameful Jewish ramp” because of the substantial profits the bankers stood to make.⁴⁸ Writing in the 1840s, Karl Beck too could not resist alluding to “Rothschild’s ... interest-calculating brethren ... filling the insatiable money-bag for themselves and their kin alone!”⁴⁹

Attacks like these do much to explain the Rothschilds’ ambivalence about popular political participation. When Metternich expressed his disapproval of the riots – a disapproval which, of course, extended to all “outbreaks of the vulgar masses” – he did much to reinforce the family’s sense that conservatism might offer them more

⁴¹Sweet, *Gentz*, pp. 283ff.

⁴²Corti, *Reign*, pp. 69–71.

⁴³Friedrich von Gentz, *Tagebücher von 1829–1831*, Vienna 1920, p. 151.

⁴⁴RAL, T30, XI/109/2/2/170, Eva, Frankfurt, to Salomon and James, Paris, Nov. 15, 1815.

⁴⁵RAL, T62/63/3, Amschel, Frankfurt, to Salomon, Paris, June 23, 1817.

⁴⁶Paul Arnsberg, *Die Geschichte der Frankfurter Juden seit der Französischen Revolution*, Frankfurt 1983, vol. I, pp. 352f.; Rachel Heuberger and Helga Krohn, *Hinaus aus dem Ghetto ... Juden in Frankfurt am Main, 1800–1950*, Frankfurt am Main 1988, pp. 24ff.

⁴⁷RAL, T62/63/3, XI/109/7, Amschel, Frankfurt, to Salomon, Paris, June 23, 1817; Corti, *Rise*, pp. 231ff.

⁴⁸Corti, *Rise*, pp. 246–248. Parish himself was not Jewish.

⁴⁹Beck, *Lieder vom armen Mann*, Leipzig 1846, pp. 4ff.

personal security than more popular forms of politics. This was especially true in Germany, where traditionally the Habsburg Emperor had given the Jews “protection” from the local populace. Imperial privileges were also essential for the Rothschilds in the absence of general emancipation. In Austria little had changed since the Tolerance Edict of 1782 (which had reduced economic restrictions somewhat): Jews continued to be denied the right to own land in the Empire, had to pay a special poll tax, were subject to marriage restrictions and, if born outside the Empire, required a special “toleration permit” to reside there, renewable every three years. They were also excluded from the civil service, though they could and did serve in the army and some had even become officers during the Napoleonic Wars. When Nathan Rothschild’s son Lionel went on a tour through Germany in 1827, it was only in Vienna that he found the position of Jews so bad as to be noteworthy: “Jews are very much oppressed, they can hold no situation under Government nor possess any land property, not even a house in the town, they are obliged to pay a heavy tolerance tax, and must have a permission to hire lodgings.”⁵⁰

Perhaps the most important privilege the family acquired was the noble status conferred on them by the Emperor Francis II in 1817, as a reward for their role in paying British subsidies and French reparations payments to Austria.⁵¹ The Rothschilds were not the first Jews to be elevated in this way: six other families had been ennobled (though all the others had converted to Christianity by 1848).⁵² Nor did ennoblement by the Habsburg Emperor connote social elevation of the sort achieved two generations later, when Nathan’s grandson Natty Rothschild was given a hereditary peerage by Queen Victoria. Like the Austrian currency, the Austrian nobility had been debased compared with its more exclusive British counterpart. On the other hand, ennoblement gave the brothers three valuable assets: the right to the prefix “von” (“de” in France and England), a coat of arms (albeit not quite the grandiose design they had originally hoped for) and, in 1822, the title “Freiherr” (“Baron” in France and England).⁵³

However, the acquisition of noble status did not exempt the Rothschilds automatically from legal discrimination on the ground of their religion. Salomon had to write personally to Metternich in 1823, when his cousin Anton Schnapper wanted to move to Vienna to marry a relative of his senior clerk Leopold von Wertheimstein.⁵⁴ Ten years later he had to apply for renewal of “toleration” for another senior clerk, Moritz Goldschmidt, who was born in Frankfurt.⁵⁵ Salomon himself could only rent accommodation in Vienna, and his request in 1831 that he and his brothers be allowed “to convert part of the wealth with which a kind providence has blessed us into a form in which it will be remunerative whatever vicissitudes may befall us” was turned down – despite Salomon’s ingenious argument that this would be “not wholly inconsistent with [the government’s] own advantage, since it cannot regard

⁵⁰RAL, RFam AD/1/2, Lionel, Journal [copy], April 1827, p. 59.

⁵¹See Hellmuth Rössler, *Graf Johann Philipp Stadion: Napoleons deutscher Gegenspieler*, vol. II: 1809 bis 1824, Vienna – Munich 1966, pp. 169, 185.

⁵²William O. McCagg Jr., *Jewish Nobles and Geniuses in Modern Hungary*, New York 1972, p. 58n.

⁵³Corti, *Rise*, pp. 198–201, 302f.

⁵⁴*ibid.*, pp. 333f.

⁵⁵Corti, *Reign*, pp. 68f.

with indifference the possibility of attracting considerable capital sums to the country which will become subject to taxation”.⁵⁶ It was not until 1837 that Metternich intimated the Emperor’s willingness to grant him, as a special privilege, permission to own property in Vienna.⁵⁷ Salomon finally took advantage of this offer in 1842. His request to own real estate in the city was speedily granted, allowing him to buy the Hotel zum Römischen Kaiser in the Renngasse where he had long resided.⁵⁸ As he acknowledged, this – along with the grant of honorary citizenship which went with it – made him “a privileged exception in the midst of my fellow believers, who ... have the right to enjoy the same rights as those who belong to other religious confessions”.⁵⁹ In 1843, when Salomon sought to buy an estate in Moravia, he was again obliged to adopt the tones of the humble but deserving *Hoffaktor*, listing his various financial contributions to the Empire as “adequate proof of his unshakeable devotion to the Austrian monarchy” and expressing his “most ardent desire to own property in a country whose rulers have shown him so many signal marks of their favour”.⁶⁰ Again, the petition was granted, despite the reservations of the Moravian estates. As one official put it, Salomon’s “position in society is so exceptional that he has been entirely removed from the ordinary circumstances of his co-religionists; his remarkable qualities and rare intelligence make it entirely inappropriate to apply strictly in his case the regulations in force with regard to other Israelites”. The Lord Chancellor Count Inzághy was rather more candid: it was, he argued,

highly desirable that Baron Rothschild should be more closely bound to the Imperial State of Austria by the investment of his money in real property in this country; and ... it would create a very strange impression abroad if his particular wish to settle permanently in that country, where he has been so actively engaged for a long period of years, and has been associated with the Government in more extensive and important transactions than has ever been the case before with a private individual, were to be refused after the special distinctions that have been conferred upon him.⁶¹

The estate Salomon duly purchased at Koritschau in Moravia, together with his property in Vienna, gave him real estate in the Empire worth 2 million gulden.⁶²

It is against this background that Metternich’s social intimacy with the Rothschilds must be understood. Contemporary comment suggests that social life in Vienna remained more segregated along religious lines than in Frankfurt, Paris, London or Naples, the other Rothschild cities. In the 1820s, Gentz remarked, the Jewish “aristocracy of money” tended to dine and dance together, apart from the aristocracy proper.⁶³ When the English writer Frances Trollope (the novelist’s mother) visited Vienna in the 1830s, she encountered the same schism.⁶⁴ Nor should the ease of

⁵⁶*ibid.*, pp. 42–46.

⁵⁷*ibid.*, pp. 175f.

⁵⁸*ibid.*, pp. 230f.

⁵⁹Rudolf M. Heilbrunn, *Das Haus Rothschild: Wahrheit und Dichtung. Vortrag gehalten am 6. März 1963 im Frankfurter Verein für Geschichte und Landeskunde*, Frankfurt a. M. 1963, p. 33.

⁶⁰Corti, *Reign*, pp. 232ff.

⁶¹*ibid.*, pp. 234–237.

⁶²*ibid.*, pp. 251f.

⁶³Hilde Spiel, *Fanny von Arnstein*, Oxford 1991, pp. 333f.

⁶⁴Mrs Frances Trollope, *Vienna and the Austrians*, vol. II, London 1838, pp. 5–7, 103f., 220.

socialising with the Rothschild brothers be exaggerated. Salomon's employee Moritz Goldschmidt's son Hermann – a boy in the 1840s – remembered him as an impetuous, impatient, despotic man: “a brutal egoist, a man without wisdom or education, who despised those around him and took the opportunity to treat them ruthlessly [just] because he was rich”. He ate and drank to excess and was habitually rude to everyone from his barber to the Russian ambassador. If the former was late in the morning – and Salomon habitually rose at 3 a.m. – he would be reviled as “an ass”. If someone came into the office smelling slightly, Salomon would press his handkerchief to his nose, open the window, and shout: “Throw him out, the man stinks.” “Why should I eat badly at your place, why don't you come and eat well at mine?” he was once heard to reply to a dinner invitation from the Russian ambassador. Another “highly placed personality” who asked for a loan received a blunt negative: “Because I don't want to.” Salomon therefore “seldom went into high society, [because] he felt that because of his lack of education he would have to play a difficult and uncomfortable role”.⁶⁵

Yet it October 1821 Metternich – accompanied by his mistress, Princess Dorothea de Lieven – publicly accepted an offer of Rothschild hospitality, “taking soup” with Amschel in Frankfurt on his way back to Vienna from Hanover.⁶⁶ This was interpreted by some observers as a calculated gesture of support for the Frankfurt Jewish community at a time when conflict over the civil rights question was at its height. In 1825 his brother James played host to Metternich in Paris, throwing a lavish dinner for “the representatives of the Holy Alliance” which greatly impressed the *Constitutionnel* newspaper. It commented ironically:

Thus does the power of gold reconcile all the ranks and all the religions. One of the more curious spectacles our time – rich as it is in contrasts – is that of the representatives of the Holy Alliance established in the name of Jesus Christ attending a banquet given by a Jew on the day that the law of sacrilege is being debated in the chambers.⁶⁷

A year later, James was present at another equally grand soirée.⁶⁸ And in January 1836 the Metternichs dined with Salomon at his house in Vienna, along with Princess Marie Esterházy and a number of other distinguished guests, who were duly impressed by Rothschild's French chef.⁶⁹

Metternich's motives are not hard to divine. The *Courrier Français* provided a revealing anecdote in connection with his visit to James's house in 1825: “An Englishman was asked how it could be that the ambassador of his nation had not been present at this diplomatic feast. ‘Because’, he replied, ‘England has no need of money.’” In the same vein, when Count Kolowrat accepted an invitation from Salomon (evidently for the first time) in 1838, “some people of his own position in society told him that this was giving offence. ‘What would you have me do?’ he said. ‘Rothschild attached such enormous importance to my coming that I had to sacri-

⁶⁵Hermann von Goldschmidt, *Einige Erinnerungen aus längst vergangenen Tagen*, Vienna 1917, pp. 12–33, 35f.

⁶⁶See Corti, *Rise*, pp. 290f.; Palmer, *Metternich*, p. 215; Harman, *Metternich*, p. 45.

⁶⁷Bertier de Sauvigny, *Metternich et la France*, pp. 959f., 970.

⁶⁸Comte Rudolf Apponyi, *Vingt-cinq ans à Paris (1826–50)*, Paris 1914, vol. I, pp. 6ff.

⁶⁹Metternich, *Nachgelassene Papiere*, pp. 47, 324, 491, 493, 495.

fice myself to the interests of the service, as the State needs him.”⁷⁰ As if to emphasise his financial leverage, Salomon declared expansively that his guest’s presence had:

“... given me as much pleasure today as if I had been given a thousand gulden, or had given them to a poor man.” Thereupon Count Kolowrat replied, “Very well, give me the thousand gulden for a poor man who needs help, and has applied to me.” Rothschild promised to do so and after dinner Count Kolowrat was given the thousand gulden.⁷¹

When the Metternichs dined with him, Salomon could not resist showing them the contents of his safe as a post-prandial treat. As was later said of the Papacy, when it turned to the Rothschilds for financial assistance: “The thesis is to burn M. de Rothschild: the hypothesis is to dine with him.”⁷²

IV

Yet there is a need to qualify this idea of the latter-day court Jew. In his famous essay ‘On the Jewish Question’, Marx quoted from the pamphlet on the subject by Bruno Bauer:

“The Jew, who in Vienna, for example, is only tolerated, determines the fate of the whole Empire by his financial power. The Jew, who may have no rights in the smallest German states, decides the fate of Europe.” This is no isolated fact [continued Marx]. The Jew has emancipated himself in a Jewish manner, not only because he has acquired financial power, but also because ... *money* has become a world power.⁷³

Or, as Heine memorably put it, “Money is the god of our time and money is his prophet.”⁷⁴ The Rothschilds’ image as “bankers to the Holy Alliance” understated their relative autonomy as a multinational partnership with unrivalled resources; in particular, it understated their tendency to assess business opportunities in financial rather than political terms. As the table above shows, the Holy Alliance accounted for only 19 per cent of Rothschild bond issues in London, less than the amount raised for Britain and post-1830 France. Close scrutiny of the Rothschilds’ involvement in Metternich’s policy casts serious doubt in the idea that they were merely the purseholders of reaction.

In 1820–21 the order established at Vienna was challenged in Spain, Naples, Portugal, Piedmont and by Greeks throughout the Near East. In so far as they helped to finance Austrian intervention in Italy and French intervention in Spain, the Rothschilds perhaps do deserve to be thought of as financiers of reaction. Nevertheless, it is striking how independently the Rothschilds acted in each case. On

⁷⁰Carl Friedrich Kübeck von Kübow, *Tagebücher des Kübeck von Kübow*, Vienna 1909, vol. I/2, pp. 779f.

⁷¹*ibid.*

⁷²J. Derek Holmes, *The Triumph of the Holy See: A Short History of the Papacy in the Nineteenth Century*, London 1978, p. 148.

⁷³Marx, Karl, ‘On the Jewish Question’, in *idem* and Friedrich Engels (eds.), *Collected Works*, vol. III: 1843–1844, London 1975, esp. pp. 169ff.

⁷⁴Heinrich Heine, ‘Lutetia’, in *Sämtliche Schriften*, vol. V, Munich 1971, p. 355.

the Italian peninsula, matters were at first sight straightforward: the Rothschilds supported Metternich's policy by lending to the various monarchical regimes which had his backing. As early as December 1820 the prince wrote to Salomon from Troppau alluding suggestively to a transaction involving 25 or 30 million francs "with respect to the future fate of the Kingdom of Naples".⁷⁵ The banker's initial response was positive. "Even our financiers, led by Parish and Rothschild," so the Austrian Finance Minister Stadion assured Metternich at Laibach in January 1821, "are only anxious to see our troops across the Po at the earliest possible moment, and marching on Naples."⁷⁶ Yet Salomon became suddenly unenthusiastic when Metternich and Nesselrode invited him to Laibach to discuss possible loans, the purpose of which was evidently to pay for intervention. Fearing a collapse in the price of Austrian bonds, he insisted that any loan should be raised by Ferdinand I only after his restoration to power in Naples, the proceeds to be used to reimburse the Austrian government for the costs of intervention. In the meantime he was prepared to offer nothing more than short-term advances.⁷⁷ Not for the first or last time in the nineteenth century, Austrian policy now threatened to be undermined by financial weakness. There were severe shortages of supplies at the front, while in Vienna Stadion despairingly foresaw a return to the fiscal and monetary morass of the Napoleonic period. Indeed, Salomon had to intervene in the market to prevent a slump in the price of "metalliques" (Austrian silver-denominated bonds).⁷⁸ By March 24, however, Naples had fallen, and the fourth Rothschild brother Carl hurried south to organise the now desperately needed Neapolitan loan from which the Austrians were to be reimbursed.

At this point, a conflict of interests emerged: the Austrian government wished to exact the maximum sum possible, but the Rothschilds had a low opinion of Neapolitan creditworthiness, and were willing to lend to the restored regime only at punitive rates, while the Bourbon regime itself faced the prospect of renewed unrest if it was burdened with onerous new debts. The first Neapolitan loan arranged by Carl amounted to 16 million ducats (around £2 million) at a discounted price of 60 (i.e. for every bond with a face value of 100 ducats, the Rothschilds paid just 60 ducats). To help meet the costs of the continuing Austrian occupation, a second loan was issued in November 1821 for 16.8 million ducats at a price of 67.3.⁷⁹ Two more loans followed, increasing the state's debt to around £13 million in all. Despite this increasing burden, the price of Neapolitan securities rose in Paris from 65 to 103, and in London there was considerable enthusiasm for the sterling-denominated bonds.⁸⁰ This successful stabilisation partly reflected the good relationship which had developed between Carl and the new Neapolitan Finance Minister, Luigi de' Medici, whose claim that the Austrians were unnecessarily prolonging the occupation and

⁷⁵CPHDCM, 637/1/18/13–14, Metternich, Troppau, to Salomon, Abschrift, Dec. 21, 1820; Salomon to Metternich, undated, c. end Dec.

⁷⁶Corti, *Rise*, pp. 253f.

⁷⁷CPHDCM, 637/1/18/15, Metternich, Laibach, to Salomon, Vienna, Dec. 29, 1820; CPHDCM, 637/1/18/14, Salomon to Nesselrode, Laibach, Jan. 29, 1821; CPHDCM, 637/1/18/13–14, Salomon to Metternich, Laibach, Abschrift, Feb. 4, 1821.

⁷⁸Corti, *Rise*, pp. 260–263.

⁷⁹*ibid.*, pp. 267–274, 285–288.

⁸⁰Rondo Cameron, *France and the Economic Development of Europe, 1800–1914*, Princeton 1961, pp. 408f.

overcharging for their presence Rothschild was inclined to support.⁸¹ Even before the Congress of Verona in late 1822, it was obvious that the Austrians intended to recoup the costs of the invasion in full. Of 4.6 million gulden which Metternich demanded in August 1821 as payment for the actual invasion, 4 million had been received by the following February, and to this were added annual occupation costs of 9 million ducats. By 1825 Medici was accusing the Austrian government of deliberately profiting from the occupation and threatened to resign unless more than 1 million ducats were repaid. When the Viennese authorities stalled, Carl advanced the money to Medici – to Metternich's evident irritation.⁸²

The financing of the Austrian intervention in Naples provides a classic illustration of the Rothschilds' ability, as a multinational entity, to play both ends against the middle. While Carl's establishment in Naples flourished on the strength of his ties with the Bourbon regime, the Austrian government found itself once again having to turn to Salomon. For no matter how much could be squeezed out of Naples, the costs of the military intervention there far exceeded what Stadion could raise in current revenue. There was no alternative but another loan.⁸³

Vienna's dependence on the Rothschilds was further increased in 1823, when the British government, in an attempt to exert pressure on Vienna to end its occupation of Naples, raised the question of outstanding loans – now notionally totalling £23.5 million including interest – which dated back to the early stages of the war against revolutionary France. Once again, the Austrians had to turn to the Rothschilds, pressing Salomon to use his brother's influence in London to get the debt scaled down. When this had finally been achieved, the firm offered to organise yet another loan to pay the agreed sum of £2.5 million. Thirty million gulden of new metalliques were taken by the Rothschilds and their partners at an underwriting price of 82.33, and were soon trading at 93, yielding a substantial profit.⁸⁴ Another 15 million gulden loan followed in 1826.⁸⁵ Ultimately, then, the Austrian policy of intervention in Italy had yielded multiple profits for the Rothschilds. That was clearly more important to the brothers than the political outcome.

The outbreak of revolution in Spain raised more serious dilemmas. For two years after 1820, Ferdinand VII endured the Cortes constitution, and in that period the liberal government raised a number of loans. Although the Rothschilds – as Salomon hastened to reassure Metternich – were not at first involved in these, they were preparing to take a hand when, in July 1822, Ferdinand and his Ultra-royalist supporters unexpectedly attempted to overthrow the Cortes, calling for foreign intervention when their coup failed.⁸⁶ Soon after this, James was in touch with the Spanish financier Bertran de

⁸¹Corti, *Rise*, pp. 295ff., 375–376. Cf. Harold Acton, *The Bourbons of Naples*, London 1956, pp. 688, 699.

⁸²Corti, *Rise*, pp. 376–380.

⁸³*ibid.*, pp. 298–300, 324–327. See also Bertrand Gille, *Histoire de la Maison Rothschild*, vol. I: *Des origines à 1848*, Geneva 1965, pp. 96–103; Karl F. Helleiner, *The Imperial Loans: A Study in Financial and Diplomatic History*, Oxford 1965, p. 168.

⁸⁴RAL, T5/212, XI/87/OB, Salomon, Vienna, to Nathan, London, April 7, 1823; RAL, T6/34, Metternich to Salomon, Nov. 17. Cf. Helleiner, *Imperial Loans*, pp. 171–175; Corti, *Rise*, pp. 322–323, 327–330.

⁸⁵Gille, *Maison Rothschild*, vol. I, pp. 168f.

⁸⁶RAL, T6/18, Belin [Rothschild agent], Madrid, to de Rothschild Frères, Sept. 23, 1822. In fact the Cortes loans were handled by the Paris bankers Laffitte and Ardouin & Hubbard: Corti, *Rise*, pp. 306ff., 312; Gille, *Maison Rothschild*, vol. I, pp. 108f., 132.

Lys, who hoped to forestall an invasion by reconstituting the government on less “exalted” (that is, radical) lines.⁸⁷ It was too late: in April 1823 a French expedition analogous to the Austrian invasion of Naples was launched under the leadership of Louis XVIII’s surviving nephew, the Duc d’Angoulême.⁸⁸ Ever the pragmatist, James now offered his services to the French premier, the Comte de Villèle.⁸⁹ And just as military intervention had necessitated a new loan in Vienna, so too in Paris the government was obliged to fund its military adventure by borrowing.⁹⁰

The difference between Naples and Spain was that after the restoration of the Spanish Bourbon (which had been achieved by the end of 1824), the Rothschilds declined to lend to his neo-absolutist regime without guarantees from the French government.⁹¹ There were three reasons for this: the regime’s refusal to recognise and redeem the bonds previously issued by the Cortes,⁹² its refusal to repay France the costs of the invasion and, finally, the bankers’ suspicion that any money lent to Ferdinand might be used in a last and doubtless vain attempt to recapture his former colonies in South America. As the Austrian ambassador in Paris shrewdly reported to Metternich: “Although the House of Rothschild may pretend that their sympathies are purely monarchist, the recognition of the engagements entered into by the Cortes Government, and the independence of the Spanish colonies, would provide a far wider field for his [Nathan’s] financial enterprises and afford political security, the value of which they do not fail to appreciate.”⁹³ In short, the Rothschilds’ role in Spain had been ambivalent: initially showing signs of interest in the Cortes government, then financing the French invasion, but declining to bankroll the restored regime.

Their reaction to the revolution of 1830 also illustrates the brothers’ political agnosticism. In Paris, James made the transition from Bourbon to Orleanist regime with the greatest of ease and shed no tears for the ousted monarch and ministers. He and his brothers also rushed to provide financial support for the new kingdom of Belgium as soon as Leopold of Saxe-Coburg – whom they had cultivated for some years – had accepted the throne. The Rothschilds’ sole concern, once the danger of republicanism in France had faded, was the possibility that the revolutions might lead indirectly to a war between the great powers. It is easy to see why. A revolution – or even a reform crisis – primarily affected bonds in one country. As the 1790s had shown, a general European war would have caused a severe slump in the price of all government securities in all markets, with disastrous implications for the brothers’ immense investment portfolio.

This helps explain why so many contemporaries believed that the Rothschilds not only favoured peace but also used their financial leverage to preserve it. Ludwig

⁸⁷Corti, *Rise*, pp. 314ff.; Bertier de Sauvigny, *Metternich at la France*, pp. 729–733.

⁸⁸RAL, T6/28, Dalberg, Paris, to Nathan, London, March 28, 1823.

⁸⁹Jean Baptiste de Villèle, *Mémoires et correspondance du comte de Villèle*, Paris 1888–1890, vol. III, pp. 429f.; vol. IV, p. 73.

⁹⁰*ibid.*, vol. III, p. 535; vol. IV, pp. 212f., 228; Comte Pierre François Hercule de Serre, *Correspondance du comte de Serre 1796–1824, annotée et publiée par son fils*, Paris 1876, vol. IV, p. 566; François René, Vicomte de Chateaubriand, *Correspondance générale de Chateaubriand*, Paris 1913, vol. IV, pp. 315f.; vol. V, p. 16.

⁹¹RAL, Cataloguing Box [letter copy book Foreign Loans 1823–1831], Nathan, London, to “My Dear Brother”, probably James, Paris, July 22, 1823; Chateaubriand, *Correspondance générale*, vol. V, p. 102.

⁹²Villèle, *Mémoires*, vol. IV, p. 57.

⁹³Corti, *Rise*, pp. 357f.

Börne, for example, explicitly argued that Rothschild sales of Austrian government bonds had limited Metternich's diplomatic room for manoeuvre in 1831, when the Prince was itching to check the spread of revolution in Belgium as well as Italy. Börne also implied strongly that the Rothschilds were keen to see France adopting a more pacific policy towards Austria.⁹⁴ Similar claims were made by political insiders too, for example by the Austrian diplomat Count Prokesch von Osten in December 1830: "It is all a question of ways and means and what Rothschild says is decisive, and he won't give any money for war."⁹⁵ Two years later the Austrian Finance Minister Baron Kübeck regarded Salomon as synonymous with "peace".⁹⁶ Nor was it only Austria which was perceived to be subject to Rothschild pressure: Metternich and his ambassador in Paris, Apponyi, alleged that the French government was even more susceptible. In Metternich's words: "The House of Rothschild ... for reasons that are natural although I cannot regard them as good, and certainly not as morally satisfactory, plays a much bigger part in France than do the foreign cabinets, except possibly that of England. The great vehicle in France is money ..."⁹⁷

How much power over the policy of the great powers did the Rothschilds wield at this time? To answer this question, it is first necessary to distinguish their use of financial leverage – principally their ability to refuse loans to governments contemplating war – from the less tangible influence they were able to exercise in their capacity as a channel of diplomatic communication. This second function grew rapidly in importance in the course of the 1830s, though it had already begun to develop in the previous decade. In essence, statesmen and diplomats began to make use of the Rothschilds' network of communication because it was quicker than the official courier systems used for relaying diplomatic correspondence, and because messages of a non-binding nature could be sent from government to government indirectly via the brothers. It was in the 1820s that Metternich himself began to make use of the Rothschilds' courier service for important correspondence. From this point onwards, he and Salomon shared political news on a regular basis, the prince informing Salomon of Austrian intentions while the banker provided "Uncle" (his Rothschild codename) with news he received from his brothers. Thus Metternich made use of Salomon's couriers to Vienna and London at Pressburg in 1825.⁹⁸ When a minor crisis in Franco-Austrian relations blew up in 1826, it was a Rothschild courier who carried Villèle's placatory note to Metternich.⁹⁹ The Rothschilds also broke the news of the French revolution of July 1830 to Metternich, who was then in Bohemia.¹⁰⁰ It is not hard to see why the brothers were willing to provide this service: it gave them advance knowledge of foreign policy as it was being formed, and this in turn allowed them to make better-informed investment decisions.

⁹⁴Börne, *Mittheilungen*.

⁹⁵Corti, *Reign*, p. 10.

⁹⁶Kübeck, *Tagebücher*, vol. I/2, p. 593.

⁹⁷Bouvier, *Rothschild*, p. 52.

⁹⁸See e.g. RAL, XI/109/10/1/11, Metternich, Pressburg, to Salomon, Vienna, Nov. 14, 1825; RAL, XI/109/10/1/12, Salomon, Vienna, to Metternich, Pressburg, Nov. 15.

⁹⁹Bertier de Sauvigny, *Metternich et la France*, pp. 1157f.

¹⁰⁰Karl von Mendelssohn Bartholdy (ed.), *Briefe von Friedrich von Gentz an Pilat: Ein Beitrag zur Geschichte Deutschlands im XIX. Jahrhundert*, Leipzig 1868, vol. II, pp. 288f.; Mann, *Secretary of Europe*, p. 298; Bertier de Sauvigny, *Metternich et la France*, p. 1361.

Between March 1831 and March 1832, there was a series of “flashpoints” when war involving more than one of the great powers seemed to come perilously close. On each occasion the Rothschilds worked frenetically to diminish the tension, using both their financial leverage and their role as an unofficial diplomatic channel. The first crisis raised the possibility not only of Austrian intervention in the Papal states but also of French moves in support of the revolutionaries; James and Salomon were much involved in the war of words which duly broke out between Paris and Vienna. Ultimately, Austria intervened not only in Modena (which the French tacitly accepted) but also in Bologna, in response to an appeal from Pope Gregory XVI; action which, after much prevarication, elicited a more or less direct threat of war from the French government – relayed, yet again, by James.¹⁰¹ The second flashpoint came in August 1831 over Belgium. After months of uncertainty about the election of Leopold of Saxe-Coburg as King, the Dutch invasion of Belgium raised the possibility of a general war once more. But again the powers drew back. Neither Prussia nor Russia supported the Dutch move and the British government – after some tense negotiations – sanctioned the French decision to send an expeditionary force to Belgium, provided it withdrew once the Dutch had been driven out. It was only during October that the danger of war over Belgium gradually receded; though even the signing of the 24 Articles by Belgium on November 15 was far from the breakthrough it initially seemed, as Russia, Austria and Prussia took until May 1832 to ratify them, and the Dutch King continued to withhold his signature.¹⁰² The third and final war scare came in February 1832, as a result of fresh unrest in the Papal States. Once again Austrian troops were called in, and once again the French sought to take a hand. Indeed, this time a French force was actually sent to occupy the port of Ancona – “a serious blunder”, in James’s view.¹⁰³ However, this was far less serious than the earlier crises (as the muted reaction of the markets testified) and there was never any real prospect of a serious breach between Paris and Vienna.

During each of these crises, the Rothschilds repeatedly argued against war. When Salomon returned to Vienna in early October 1830, it was in order “to impress upon Prince Metternich how important it now is to maintain peace”, as “the issue of peace or war depend[ed] entirely upon” him.¹⁰⁴ This was a slight exaggeration, as Austrian influence over the Belgian question was limited; on the other hand, Russia (and possibly also Prussia) would be more likely to go on the offensive if a lead came from Vienna – that was the implication of the Carlsbad agreement of August 1830, which had reaffirmed the counter-revolutionary intent of the Holy Alliance. Over Italy, Metternich was unequivocal. He told Salomon in November 1830 that he was prepared “to send troops ... to keep the country quiet”,¹⁰⁵ and he duly did so in both Modena and Bologna. Until April 1831 Salomon could do little more than relay Austrian intentions to Paris (in itself an important service as his letters to James

¹⁰¹RAL, XI/109/20/1/28, James, Paris, to Salomon, Vienna, undated, March 1831; RAL, XI/109J/J/31, James to Nathan, March 23; same to same, March 24; March 26; March 27; March 29; March 30.

¹⁰²Details in Ferguson, *World's Banker*, pp. 253f.

¹⁰³RAL, XI/109J/J/32, James, Paris, to Nathan, London, March 4, 1832.

¹⁰⁴RAL, XI/109J/J/30A, Salomon, Paris, to Nathan, London, Oct. 10, 1830.

¹⁰⁵RAL, XI/109/17/1/12, Lionel, Paris, to his parents, London, Nov. 28, 1830.

arrived as much as three days before Apponyi's official instructions). When the Tsar appealed for help in Poland, however, Salomon was able to exert real influence, forewarning Metternich's rival Count Kolowrat, who intervened "with uncharacteristic decisiveness" against such assistance.¹⁰⁶ By July he was able confidently to assure his brothers: "Strictly between ourselves, Austria will not make war, does not want war and is doing everything possible to avoid having a war ... I am convinced that even if England and France declared war on ... *Russia*, it would make no difference to Austria, we would stay ... neutral."¹⁰⁷ Even when he was away from Vienna, Salomon kept up the pressure on Metternich to avoid war. In March 1832 he wrote long and effusive letters from Paris, urging him not to overreact to Périer's decision to send troops to Ancona.¹⁰⁸ In November, when French troops were descending on Antwerp, Kübeck complained that "Prince Metternich is a veritable pendulum, swinging back and forth between Tatichiev [the Russian ambassador in Vienna] and war, and Salomon Rothschild and peace."¹⁰⁹

What made Metternich pay heed to Salomon was, needless to say, money. As early as November 1830 Salomon intimated to Gentz that, after the heavy losses suffered by himself and his brothers, there could be no question of their helping to finance a war.¹¹⁰ When Metternich sent Austrian troops into Bologna, James backed up Périer's threat to intervene with an explicitly financial argument, evidently intended for official consumption. In the event of war, he asked, "how would Austria be able to pay the interest [on her debt]? ... Better not to risk one's entire capital".¹¹¹

Yet Salomon did not occupy a monopolistic position. In the spring of 1830, when the Austrian government had issued a loan of 30 million gulden of 4 per cent metalliques, he had merely been one of a consortium of four issuing houses, along with Arnstein & Eskeles, Sina and Geymüller; and he had failed to wrest control of a planned conversion operation from the Frankfurt house of Bethmann.¹¹² In the wake of the revolution, he could not contemplate the idea of a new government loan being handled by his rivals. So when Metternich requested an issue of 36 million gulden of 5 per cent metalliques to finance intervention in Italy in March 1831, Salomon took a share.¹¹³ Admittedly, a clause was inserted stating that the loan would have to be repaid within three months in the event of a war. But Salomon did nothing to oppose Metternich's covert borrowing of the 20 million francs which had been deposited with the Frankfurt house since 1815 in the name of the German Confederation.¹¹⁴ Nor did he achieve much by a thinly veiled threat to withdraw financial support if Metternich did not ratify the 24 Articles relating to Belgium in early 1832:

¹⁰⁶Kübeck, *Tagebücher*, vol. I/2, p. 382.

¹⁰⁷RAL, XI/109/22/2/22, Salomon, Vienna, to his brothers, July 9, 1831.

¹⁰⁸Corti, *Reign*, pp. 58–62.

¹⁰⁹Kübeck, *Tagebücher*, vol. I/2, p. 593.

¹¹⁰Gentz, *Briefe an Pilat*, vol. II, p. 334.

¹¹¹RAL, XI/109/20/1/28, James, Paris, to Salomon, Vienna, undated, March 1831.

¹¹²Corti, *Rise*, pp. 414–420.

¹¹³Kübeck, *Tagebücher*, vol. II/2, pp. 412ff.

¹¹⁴Corti, *Reign*, pp. 39f.

Your Highness is aware that we have subscribed a quarter of the last loan of 50 million and have also purchased securities on the Bourse in order to maintain the price of metalliques, that we are carrying through other important financial operations, and that we are also negotiating new ones. As these are closely affected by the course of political events, and as I would like to see my brother happy and free from worry, I would humbly beg Your Highness to be pleased to let my manager ... know of your opinion as to the present situation and whether the Austrian Government will recognise Belgium and allow the statement to be ratified.¹¹⁵

Metternich hastened to reassure him “that, as the fundamental attitude and will of the Russian Tsar were very well known to him, he vouched for the fact that these, without a single exception, were as peaceful as those of the Austrian Emperor”.¹¹⁶ But these were soothing words; Austria did not ratify the articles for another three months.

Salomon’s most explicit use of the financial lever came in June 1832, while he was in Paris. “I do not regard [it] with indifference”, he wrote with uncharacteristic bluntness in a letter he ordered to be passed on to Metternich and Kolowrat, “... that Austria should issue a further metalliques loan during the year 1832, which God forbid”:

You know that, taking the sum of our holdings of metalliques at Frankfurt, Paris, London and Vienna ... the total amounts to several millions. Now ... if our firm were forced to sell ... what price could we expect to get? ... We should be forced to realise our metalliques, whether we wished to or not. What would the capitalists and the commercial world say to the issue of two metalliques loans in one year, when the payments in respect of the first loan are not due to be completed until December? Such action might produce a sharp fall in metalliques. The government would not be able to get further loans at a low rate of interest, a blow would be dealt at the credit of Austria’s finances and the government would fail to achieve its object ... Moreover, what would the public say to a new loan? “There will be war – there must be a war, as Austria is issuing another loan.” Even if we were not forced to sell, as we should be, prices would fall sharply and Austria’s credit would be severely damaged ... [This is] my conviction as to what would happen if there were to be even a whisper of a suggestion that another loan should be issued this year.¹¹⁷

At first sight, this does indeed seem like the exertion of financial pressure with a view to limiting Metternich’s room for aggressive manoeuvre. But it is important to realise that it came at a time of relatively low international tension: the Austrians had by now ratified the 24 Articles and the dispute over Ancona had been resolved. On closer inspection, it looks more like a primarily financial argument to avoid a slump in the price of Austrian bonds which would have been detrimental to the Vienna house’s balance sheet. Salomon was not opposing a loan altogether; for purely technical reasons, he was arguing that “if it is essential to get money, it is much better to issue Treasury bills, and get in twelve millions of silver for the bank ... a procedure which costs the government hardly anything and provides it with money for six to eight months”. A year later, he and the three other Vienna houses were perfectly happy to participate in another issue of metalliques worth 40 million florins, and in

¹¹⁵*ibid.*, pp. 56f.

¹¹⁶RAL, XI/109/5/2/4, Salomon, Vienna, to his brothers, Jan. 7, 1832.

¹¹⁷Corti, *Reign*, pp. 66ff.

1834 to a lottery loan of 25 million gulden.¹¹⁸ In short, the idea that Salomon was able to impose a pacific policy on Metternich by financial means looks doubtful. On the other hand, there is ample evidence here that the relationship between the Rothschilds and Metternich was, in terms of power politics, a relationship between equals, no matter how deferential the tone of Salomon's letters.

A further illustration of this point can be found in the correspondence concerning Spain in the period of civil war during the 1830s. On the question of lending to the parliamentary regime, the brothers were divided: Nathan was evidently keen to play a bigger and more independent role in Spanish finances, while Salomon was generally opposed to involvement, primarily because of the intense pressure to which he was subjected by Metternich. Nathan's initial strategy seems to have been to secure some sort of agreement on the old Cortes bonds as the prelude to any new Spanish loan.¹¹⁹ However, all the Spanish negotiators with whom the Rothschilds dealt carefully avoided giving a commitment on the issue.¹²⁰ After exceptionally convoluted and protracted negotiations, Nathan decided to ignore the warnings of Metternich, the Austrian ambassador Apponyi, the Russian ambassador Pozzo and no fewer than three French ministers (de Broglie, Rigny and Soult), all of whom strongly advised the Rothschilds to avoid Spain. On April 18 he offered to advance the Spanish government 15 million francs to pay the interest due at the end of June on its undeferred bonds. He had obtained no firm guarantee from Madrid that the Cortes bonds would be revalued, merely an empty promise that the issue would be raised when the Cortes met. Nor did he receive any security for his advance when the agreement was signed with the Spanish ambassador in Paris and a representative of the Bank of San Fernando on June 7.¹²¹ As the Carlist-inclined Duke of Wellington sardonically observed, the Rothschilds were now well and truly "in the boat";¹²² and, just as Metternich and the rest had predicted, "the boat" began to sink almost at once with the appointment of a new Finance Minister in Madrid, who reneged on the agreement.

Salomon now acted energetically to counter Nathan's arguments for intervention, ultimately going to extraordinary lengths to dissociate himself from his brother's actions in his correspondence with Metternich. The latter, in any case, had been kept well informed of Nathan's actions by the Austrian chargé d'affaires in London, Hummelauer, and a junior official named Kirchner who was supposedly assisting Nathan with his consular duties.¹²³ To clear himself of guilt by association, Salomon therefore had to write one of the most extraordinary of all Rothschild letters,

¹¹⁸RAL, XI/109/29/1/34, Anselm, Frankfurt, to James and Lionel, Paris, Jan. 29, 1833; RAL, XI/109/29/2/43, submission by MAR, Eskeles, Geymüller and Sina, Feb. 7; RAL, XI/109/31a/1/72, Nat, Vienna, to his parents, London, April 22, 1834; RAL, XI/109/31a/2/62, submission for loan, April 26; RAL, XI/109/J/34, James, Paris, to Nathan and Anthony, April 26.

¹¹⁹RAL, XI/109/J/31, James, Paris, to Nathan, London, Feb. 4, 1831; same to same, Feb. 5; June 6; July 2; Nov. 16; RAL, XI/109/20/1/14, Lionel, Paris, to his parents, London, March 23; RAL, XI/109/27/1/34, same to same, March 20, 1832.

¹²⁰RAL, XI/109/J/32A, James and Salomon, Paris, to Nathan, London, April 22, 1832; James and Salomon to Nathan and their nephews, Oct. 25; same to same, Oct. 27; RAL, XI/109/30/1/57, Lionel, Paris, to his parents, London, Dec. 23.

¹²¹RAL, XI/109/33/4/8, Agreement signed by Queen Regent, May 15, 1834.

¹²²RAL, XI/109/J/34, James, Paris, to Nathan, London, July 3, 1834.

¹²³Corti, *Reign*, pp. 125–129, 139.

addressed to his senior clerk in Vienna, Leopold von Wertheimstein, but explicitly intended for Metternich's eyes. He began by claiming that the collapse in Spanish bond prices following the appointment of Toreno had been engineered by the Rothschilds as an act of "vengeance" for the losses he had caused them. According to accounts which Salomon enclosed, Nathan had sold no less than £2 million of Spanish bonds, ruining Toreno's credit and proving that the Rothschilds were now "confirmed enemies of Spain". Not only that, but Salomon and James had then gone to see Talleyrand, Guizot, Broglie and Louis Philippe himself to argue "that France's credit would go to the devil if they intervened, and that they would have to face a second and third revolution". There was therefore no question of the Rothschilds lending "a single farthing" more to Spain. As if to convince Metternich of his sincerity, Salomon's letter concluded by heaping abuse on his brother's head. "My brother Nathan Mayer," he wrote,

is one of the ablest men as far as the Exchequer and price movements are concerned but has no special aptitude in other matters ... [H]e is a child in politics ... [and] believes that the Powers will be pleased by intervention ... In other matters that are not concerned with the Bourse, [he] is not particularly bright; he is exceedingly competent in his office, but, apart from that, between ourselves, he can hardly spell his own name. This brother of mine, however, is so disgusted with Spain that he can hardly bear himself, just like all of us, only perhaps he feels it more because he realises that he made the advance of 15,000,000 francs without asking any of his partners about it.

Nor was that all. Salomon even went so far as to suggest that Nathan's error had put the entire future of the brothers' partnership in jeopardy.

I myself do not yet know when we brothers will meet; whether the affair of the Spanish Loan will cause a split we shall see. I am sixty, my brother at Frankfurt is sixty-two; I have only two children and if I live very carefully I can live on the interest of my capital; I have fortunately only to provide for my son, as my Betty is as rich as her father. I do not mean that I intend to give up business but only to see to it that I can sleep peacefully. The Spanish affair has completely ruined my nerves; it is not the loss of money, for, even if the whole 15,000,000 francs had been lost, my share would have been only 3,000,000, but the unpleasantness which we have had with this business. Now Nathan Mayer Rothschild has four grown-up sons, and Carl has two younger boys, so they manage on the basis of a dozen heads. Because my father has so disposed we shall probably have to remain together, but I must confess that it has all very much tired and exhausted
Your,
S. M. v. Rothschild.¹²⁴

This was no mere charade: the Rothschilds' private correspondence indicates how strongly Salomon felt on this issue. As late as 1840, James could still tell his nephews:

[W]e can't make a loan for Spain under our own name, unless a guarantee is provided by England and by France and ... nevertheless I tell you, my dear nephews, I don't want to have anything to do with it ... [I]t is only if the Governments provide us with the necessary guarantees that we can give the Northern Powers a reason, otherwise I can tell

¹²⁴*ibid.*, pp. 131–135.

you, my dear nephews, that the first thing which my good Salomon will do will be to withdraw from the business. Do you think that this deal will generate a large enough profit to justify doing something like this?¹²⁵

It has generally been assumed that on this issue Metternich's political power prevailed over the Rothschilds' financial interests. Armed with good-quality intelligence and making the most of Salomon's desire to acquire the title of Austrian consul for his son and nephews,¹²⁶ Metternich appears to have succeeded in scuppering the project of an Anglo-French guaranteed loan to Toreno's successor, Mendizábal. Like the British ambassador in Spain, Mendizábal assumed that the Rothschilds would back this project, not least because of his business links with James, with whom he had done business in Portuguese bonds.¹²⁷ But Nathan – apparently responding to Salomon's pressure – chose to leak the Anglo-French plan to Vienna and more or less deliberately allowed the project to fall through, leaving Mendizábal high and dry. Indeed, he told Palmerston that he had no confidence in the solvency of Mendizábal's government: when the British Foreign Secretary pointed out that the planned sale of crown lands would raise money, Nathan replied with a characteristically earthy image: "Yes, in time, but not in time for the May dividend. It is like telling me at seven o'clock when I want my dinner [that] there is a calf feeding in a field a mile off."¹²⁸ Contrary to the widespread expectation in diplomatic circles that they were eager to make such a guaranteed loan, Nathan and James were steadily withdrawing from the Spanish bond market altogether. Ultimately, despite pressure from the French government, they kept on selling, and bought Spanish bonds only in order to continue selling them; indeed, Nathan's last instructions to his sons before his untimely death in 1836 were to liquidate all their holdings of Spanish bonds. By 1837 the Rothschilds had more or less withdrawn completely from Spanish bonds. The Spanish Prime Minister was now "that stinking Mendizábal", whom James had "never trusted"; Spanish bonds – now trading as low as 19 – were simply "muck" or "shit".¹²⁹ The fact that Salomon moved so quickly after Nathan's death to secure for Lionel the Austrian consulship in London also seems to point to the importance of Metternich's leverage.¹³⁰

However, although Metternich appeared to have won, the private Rothschild letters show that if France and Britain had intervened militarily – rather than just financially – the Rothschilds might well have resumed large-scale lending to Spain. In ditching Mendizábal Nathan was not merely bowing to pressure from Vienna. He was acting out of self-interest, on the ground that any loan to Spain was bound to fail in the absence of military intervention: no Spanish government could now afford to pay both the interest on its external debt and an army big enough to beat the

¹²⁵RAL, XI/109J/J/40B, James, Paris, to his nephews, Feb. 28, 1840.

¹²⁶Corti, *Reign*, pp. 168f.

¹²⁷Roger Bullen and Felicity Strong (eds.), *Palmerston*, vol. I: *Private correspondence with Sir George Villiers*, London 1985, p. 316.

¹²⁸*ibid.*, pp. 352–358, 294f., 434, 448, 554.

¹²⁹RAL, XI/109J/J/36, James and Salomon, Paris, to their nephews, London, Sept. 14, 1836; James to his nephews, Sept. 18; same to same, Oct. 26; Nov. 2; Nov. 23; Dec. 5; Dec. 9; Dec. 13.

¹³⁰Corti, *Reign*, pp. 147–152, 156ff., 169–174.

Carlists. Despite all that Salomon had said to Metternich, by March 1836 James was privately itching for France to intervene. As he put it to Nathan following an inconclusive meeting with Louis Philippe and Thiers:

If we should be so fortunate that we, over here, decide to intervene [in Spain], this could make a difference for us of many hundreds of thousands of pounds sterling, and we could earn a great deal of money, because we could then calmly deal in bills, quicksilver and everything else ... I hope to God that they will indeed decide to intervene and you can then imagine how much business this will generate. I spoke so much [in favour of intervention] that my tongue nearly fell out of my throat.¹³¹

When the possibility of French intervention surfaced again in July, he and Lionel were again briefly enthused, only to be disappointed at the half-heartedness of the measures taken.¹³² It was the same story when Thiers failed to overcome the King's opposition to intervention in the spring of 1837.¹³³

On the other hand, it should not be assumed that the Rothschilds' refusal to back a full-scale loan to Mendizábal implied a complete withdrawal from Spanish finances. Before long, the practice of making advances on the mercury from the Almadén mines was resumed (despite Salomon's assurances to the contrary to Metternich), making sums of the order of £100,000 available to the government.¹³⁴ James also became increasingly interested in the revenue Spain was earning from Havana. In January 1837, a deal was proposed by Mendizábal which involved a buy-back of the deferred Cortes bonds in return for bills on Havana. Interestingly, the Rothschilds – Salomon included – were keen to do this, provided it could be kept secret.¹³⁵

V

The Rothschilds, then, were far from being mere paymasters of the counter-revolution. Indeed, they were themselves agents of revolutionary change – a point which Heine came to appreciate sooner than most.

As is well known, railways made conservatives like Metternich uneasy: the “transformation in political and social conditions” which he saw as their inevitable consequence did not seem likely to assist him in defending the Central European status quo.¹³⁶ Yet it is a surprising fact that the first Rothschild railway was conceived (in

¹³¹RAL, XI/109J/J/36B, James, Paris, to Nathan and his nephews, March 19, 1836.

¹³²RAL, RFamC/4/133, Lionel, Frankfurt, to James, Kreuznach, July 12, 1836; RAL, XI/109J/J/36, James, Kreuznach, to his brothers and nephew, July 14; James to Nat and Anthony, Aug. 17; RAL, RFamC/4/146, Lionel to Anthony and Nat, July 22.

¹³³RAL, XI/109J/J/37, James, Paris, to his nephews, April 8, 1837; same to same, April 9; April 10; April 11.

¹³⁴RAL, XI/109J/J/36, James, Paris, to Nathan and his nephews, London, April 12, 1836; same to same, April 30; James to Nat, June 4; James, Frankfurt, to Anthony, Paris, June 14; RAL, RFamC/4/140, Lionel, Frankfurt, to Anthony and Nat, July 17.

¹³⁵RAL, XI/101/0–2/9, Mendizábal, Madrid, to deRF and NMR, Jan. 18, 1837; RAL, XI/101/0–2/10, deRF to Weisweiler, Madrid, Jan. 25; RAL, XI/101/0–2/11, same to same, Jan. 26; RAL, XI/101/0–4/10, March 22.

¹³⁶James J. Sheehan, *German History, 1770–1866*, Oxford 1989, pp. 466ff.

1830) and constructed in Habsburg territory. It was not Salomon von Rothschild's own idea but that of a professor at the Vienna Polytechnic Institute named Franz Xavier Riepel, a mining expert who believed that the new technology of railways could be used to link the salt mines of Wieliczka in Galicia and the iron and coal mines of Moravian Ostrau (Ostrava) to the imperial capital more than 200 miles to the south-west. This was an ambitiously long line for the time.

Initially, the biggest obstacle to the scheme was political inertia in Vienna itself. On the basis of a report drafted by Riepel after his visit to England, Salomon submitted a petition to the Emperor to allow land to be acquired for the project. Predictably, it was shelved, the Crown Prince observing with true Habsburg insight that "Even the coach to Kagan isn't always full." The postal authorities also expressed reservations, fearing a threat to their monopoly. Undaunted, Salomon pressed on. He took over the horse-drawn railway line linking the Danube and the Gmündensee from an insolvent French engineer named Zola (the novelist's father), and commissioned Riepel to investigate the best possible route for the line to Moravia and Galicia.¹³⁷ Finally, in April 1835 – just six weeks after the death of the Emperor Francis – he felt ready to renew his appeal for imperial and royal backing. This time he was successful – an outcome which probably owed more to Metternich's and Kolowrat's decision to support the scheme than to the credibility of Salomon's claims that "the achievement of this great means of communication would be of benefit to the State and the public weal, no less than to those who join in the undertaking".¹³⁸

It was agreed that a joint stock company should be set up to construct a line between Vienna and Bochnia (south-east of Cracow). As a second thought, to ensure that there would be no royal change of mind, Salomon suggested that the line be called the *Kaiser-Ferdinand-Nordbahn*. This appeal to royal vanity was successful. For good measure, he also sought – as he put it to Metternich – to "take such steps as may be appropriate to induce such statesmen as are the bearers of honoured names to place themselves as patrons at the head of this national undertaking". Specifically, he sought to enlist Metternich, Kolowrat and the head of the imperial Treasury, Count Mittrowsky, as board members. This use of noble names to lend respectability to new companies – in return for financial perks – was a device widely employed in England and elsewhere; in the Austrian case it was essential to overcome royal and bureaucratic opposition.¹³⁹

In fact, the benefits of the *Nordbahn* – as the line was usually known – might well have ended up being greater for the "common weal" than for those who invested in it. The line was supposed to take ten years to build; the final stretch to Bochnia was not completed until 1858. It was supposed to cost 12 million gulden (£1 million), roughly 16,600 gulden per mile; the final figure was closer to 27,750 gulden. Yet – as so often in the history of railways – short-term benefits to investors tended to compensate for (or at least to distract from) such long-term cost overruns. From the

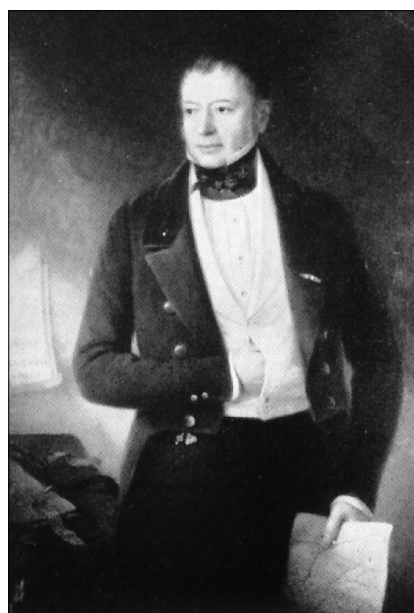
¹³⁷Kurt Grunwald, 'Europe's Railways and Jewish Enterprise: German Jews as pioneers of railway promotion', *LBI Year Book XII* (1967), pp. 170ff.

¹³⁸Haus-, Hof- und Staatsarchiv Wien, SMR to Austrian Kolowrat, April 15, 1835.

¹³⁹Corti, *Reign*, pp. 92–99.



Salomon von Rothschild's railway



Salomon von Rothschild with a rail map

moment the concession was granted, demand for shares in the firm dramatically outstripped supply. Of 12,000 shares (each worth 1,000 gulden), Salomon retained 8,000, so that just 4,000 were offered to the public. There were 27,490 applications, driving the share price up well above par.¹⁴⁰

These short-term capital gains help explain why other Austrian bankers hurried to compete – even when they realised better than Salomon the formidable practical problems involved. No sooner had Rothschild secured the *Nordbahn* concession than Sina petitioned to be granted the concession for the line from Vienna to Trieste, a petition which enjoyed some official support on the ground that Sina, unlike Salomon, was Austrian-born and hence a Habsburg subject. It is not wholly apparent why, after many years of amicable co-operation in the realm of Austrian bond issues, the major Vienna banks failed to co-operate over railways; but Salomon did not fire the first shot. Indeed, in allowing Sina and Arnstein & Eskeles substantial shareholdings in the *Nordbahn* and according them due influence on the company's provisional board of management, he was singularly accommodating. Unfortunately, the other bankers appear to have been intent on some sort of spoiling operation. At the second general meeting of the *Nordbahn*, Ludwig von Pereira (a partner at Arnstein & Eskeles) launched a well-researched technical critique of the engineering plans and financial projections, a move which succeeded in arousing the hitherto dormant anxieties of the Emperor. It was only with difficulty that Salomon and Riepel were able to rebut Pereira's criticisms, at least some of which, it must be said, were to prove quite justified.¹⁴¹ The climax of this boardroom battle came in October 1836, when Salomon moved a resolution demanding that the building of the railway be commenced or the company liquidated. With 76 out of the 83 votes in favour, he was able to force Sina and Eskeles to resign.¹⁴²

From the outset, Salomon had intended that the *Nordbahn* should be the basis for a succession of branch lines to the major cities on either side of it: indeed, his original petition had specifically mentioned subsidiary lines to Brünn, Olmütz and Troppau. Even while he was locking horns with Pereira – and before a single rail had been laid down – he therefore continued to secure supplementary concessions from the government to allow him to add further branches: to Pressburg, to Bielitz, to Deutsch-Wagram and so on.¹⁴³ Work finally began on the first stretch of line north from Vienna in 1837, and trains were running along the first section between Deutsch-Wagram and Florisdorf by the end of the following year.¹⁴⁴ It was not until 1839, however, that freight and passengers began to be carried between Vienna and Brünn, so that for more than two years the company was pouring money into materials and men (some 14,000 in all) for no return, and was kept going only by a Rothschild advance of some 8 million gulden. Small wonder Lionel felt it advisable to reassure Metternich that most English railways “will yield a profit of eight to ten per cent”; there was no sign at this stage that the Austrian line would do so, and its

¹⁴⁰*ibid.*

¹⁴¹*ibid.*, pp. 100ff.

¹⁴²*ibid.*, pp. 109–111.

¹⁴³Österr. Verkehrsarchiv, SMR to Kaiser Ferdinand, Feb. 20, 1836; Salomon to Hofkanzlei, March 7; Präsidial-Erinnerung Wien, March 21.

¹⁴⁴Corti, *Reign*, pp. 111f.

shares duly fell below par. As Salomon later recalled, the Nordbahn had required “the expenditure of large sums of money, and ... patient waiting; sacrifices that I was called upon to make, to the amount of several hundred thousand”.¹⁴⁵

Yet from 1841 onwards Salomon’s senior manager Goldschmidt began to detect an improvement on his weekly visits to monitor traffic at the main terminus.¹⁴⁶ As had been the case in England, it was the unexpectedly large amount of passenger traffic – especially families of day-trippers on Sundays – which helped to boost receipts. As early as 1841, up to 10,000 people were regularly using the initial stretch of line from Vienna to the suburb of Vienna-Neustadt.¹⁴⁷ In 1843 the shares rose for the first time since their issue above par to 103; a year later they reached 129 and by 1845 they stood at no less than 228. This represented a huge if belated capital gain to the original investors – above all, to Salomon himself.¹⁴⁸

Still, it would be unjust to Rothschild to suggest that he operated with the short-term speculative gains solely in mind. On the contrary, he genuinely does seem to have had an entrepreneurial vision of an integrated Austrian transport system. Not only did he envisage from the outset a railway which would link Galicia and Moravia to the imperial capital and southwards to Italy; he hoped also to extend his network into Hungary. Nor was Salomon content to dominate the development of the Habsburg railway system. He also pursued a strategy of “vertical integration”, bringing together different stages in a particular economic process under a single corporate roof. As early as 1831, he saw the need to foster independent Austrian supplies of iron and steel, so that the development of the imperial railways would not be reliant on imports from the foundries of Britain. Although his first bid to purchase the Witkowitz Ironworks company in the Ostravian coalfields was unsuccessful (because as a Jew he was prohibited from owning land), he was able to lease the works indirectly from the Archbishop of Olmütz, Count Chotek, in 1841 by setting up a company in partnership with the banker Geymüller. When Geymüller went bankrupt soon after, Salomon petitioned again to be allowed to buy the works, and this time was successful. The Witkowitz works – the first in the Habsburg Empire to use the puddling process necessary for the production of rails – was to remain one of the Austrian house’s principal industrial assets for almost a century.¹⁴⁹ At the same time, Salomon began to interest himself in coal mining.¹⁵⁰

Finally, Salomon’s vision of a rail link from Vienna to Trieste led him to expand Rothschild interests beyond land transportation into shipping, taking a leading role in the foundation of the Austrian Steamship Company or Austrian Lloyd in 1835. When the company got into difficulties in the 1830s, Salomon gave it the same life-saving injection of capital he gave the *Nordbahn* at the same time, in the form of a 500,000 gulden loan, in return for a mortgage on the company’s seven steamers. As

¹⁴⁵*ibid.*, pp. 232–234.

¹⁴⁶Goldschmidt, *Erinnerungen*, pp. 33f.

¹⁴⁷Victor L. Tapie, *The Rise and Fall of the Hapsburg Monarchy*, London 1971, p. 267.

¹⁴⁸Corti, *Reign*, p. 112.

¹⁴⁹*ibid.*, p. 232f.

¹⁵⁰Ivan T. Berend and Györgi Ranki, *Economic Development in East-Central Europe in the 19th and 20th Centuries*, New York – London 1974, p. 100.

with the *Nordbahn*, the investment proved a sound one, with profits rising from around 82,000 gulden to nearly 370,000 gulden between 1841 and 1847.¹⁵¹

In short, from a strictly economic point of view the Rothschilds undoubtedly played the part of modernisers in the Habsburg lands before 1848.

VI

It is also misleading to portray Salomon von Rothschild as a mere “court Jew”. This understates the exemplary significance which contemporaries attached to the Rothschilds’ financial and social success. As early as 1817 other Frankfurt Jews were inclined to boast about the Rothschilds’ wealth as a matter of communal pride.¹⁵² When Salomon went to Pressburg in June 1844 to attend a meeting of the Central Hungarian Railway Company, he was greeted by a delegation from the local Jewish community. “Count Esterházy”, the police observer reported,

frustrated their intention of according the Baron a special welcome, as he would not allow the Jews to carry out their scheme of letting off forty rockets. They were restrained even from shouting their welcome which in view of the ill feeling between the citizens and the Jews here, might easily have led to a breach of the peace.¹⁵³

The family sympathised with and encouraged this notion that Rothschild success was Jewish success. When Nathan was appointed Austrian consul, Amschel wrote: “Though it may mean nothing to you, it serves the Jewish interest. You will prevent the apostasy of quite a few Vienna Jews.”¹⁵⁴ It was “a lucky thing for the Jews” according to Carl.¹⁵⁵ To James, the titles and other honours he and his brothers accepted were “a mark of distinction for our nation” – that is, for European Jewry.¹⁵⁶ The Rothschilds’ ennoblement was widely interpreted in Frankfurt as a slap in the face for those in the town who wished to reimpose the old disabilities on Jews. “[I]f one Jew is a Baron every Jew is a Baron”: that was how they saw it in the *Judengasse*.¹⁵⁷

Moreover – and this is a crucial point – the Rothschilds systematically used their influence to lobby on behalf of other Jews, as they had already done during the period of Napoleonic rule in western Germany. It was not self-interest which prompted their campaign to restore civil rights to the Jews of Frankfurt, after the city authorities reduced them to second-class *Schutzgenossen* (literally “protected comrades”) in October 1816; for the Rothschilds themselves continued to enjoy privileged status. Even as they revoked the emancipation decree of 1811, the Frankfurt authorities

¹⁵¹Corti, *Reign*, pp. 165, 182–185.

¹⁵²RAL, T27/204, XI/109/6, Amschel, Frankfurt, to James, Paris, Feb. 25, 1817; RAL, T62/21/1, XI/109/7, Carl, Frankfurt, to Salomon, Nathan and James, May 11.

¹⁵³Corti, *Reign*, pp. 239ff.

¹⁵⁴RAL, T64/326/3, Amschel, Frankfurt, to Nathan, London, April 19, 1818.

¹⁵⁵RAL, T64/125/3, XI/109/9, Carl, Frankfurt, to Nathan and Salomon, London, April 7, 1818.

¹⁵⁶RAL, T30/49/2, James to Hannah, Aug. 26, 1815.

¹⁵⁷RAL, T33/262/1, XI/109/5B, Amschel, Frankfurt, to James, Paris, Oct. 19, 1816; RAL, T27/244, XI/109/6, Amschel to his brothers, March 11, 1817; RAL, T27/149, XI/109/6, Carl to his brothers, April 25. Technically, use of the title “Baron” was premature.

specifically cited Amschel's continued ownership of garden outside the ghetto as evidence of their enlightened attitude towards the Jewish community.¹⁵⁸

As is well known, the Rothschilds had already attempted to get the question of the Frankfurt Jews discussed at the Congress of Vienna. They raised it again at Aachen; indeed, Amschel argued that Salomon should go there "not for business reasons but in the interest of the whole Jewry".¹⁵⁹ It was this issue that brought them into contact with Friedrich Gentz for the first time, as he and Metternich passed through Frankfurt on their way to the Congress.¹⁶⁰ After the "Hep" riots, James wrote a letter to the Vienna banker David Parish, evidently intended for Metternich's eyes, which explicitly used their financial leverage on behalf of the Jewish "nation":

What can be the result of such disturbances? Surely they can only have the effect of causing all the rich people of *our nation* to leave Germany and transfer their property to France and England; I myself have advised my brother [Amschel] to shut up house and come here [to Paris]. If we make a start, I am convinced all well-to-do people will follow our example and I question whether the sovereigns of Germany will be pleased with a development which will make it necessary for them to apply to France or England when they are in need of funds. Who buys state bonds in Germany and who has endeavoured to raise the rate of exchange if it be not our nation? Has not our example engendered a certain confidence in the state loans so that Christian firms have also taken heart and invested part of their money in all kinds of securities? ... The object of the agitators at Frankfurt seems to have been ... to collect all the Israelites into a single street; if they had been successful in doing this, might it not have led to a general massacre? I need not point out how undesirable such an occurrence would be, especially at a time when our house might be holding large sums for the account of the Austrian or Prussian Court. It seems to me to be really necessary that Austria and Prussia should devise measures to be applied by the Senate at Frankfurt for energetically dealing with occurrences such as those of the 10th of this month, and thus making *each man* secure in his possessions.¹⁶¹

In the view of their avowed adversary, the Bremen delegate to the Frankfurt Diet, the Rothschilds were making full use of their financial leverage. Besides Austria and Prussia, "several minor states have also had recourse to this financial Power in their difficulties, which puts it in a strong position to ask for favours, especially for a favour of such an apparently trivial nature as the protection of a few dozen Jews in a small state".¹⁶²

The brothers kept up the pressure in 1820, pressing Metternich to lean on Buol, who continued to support the Frankfurt authorities.¹⁶³ Significantly, when Salomon came to an "important financial arrangement" with Gentz in 1821, it was only after he had once again "bent his ear about the fatal Frankfurt Jews' affair".¹⁶⁴ In 1822 Amschel even wrote to Metternich's lover Princess Lieven "asking for the withdrawal of certain instructions towards [the Frankfurt Jews] that Count Münster must have sent to the Minister of Hanover".

¹⁵⁸RAL, T32/209/1, XI/109/5B, Amschel, Frankfurt, to Salomon and Nathan, London, Sept. 19, 1816.

¹⁵⁹RAL, T64/237/3, XI/109/9, Amschel, Frankfurt, to his brothers, undated, c. Sept. 1818.

¹⁶⁰Isidor Kracauer, *Geschichte der Juden in Frankfurt am Main (1150–1824)*, vol. II, Frankfurt 1927, pp. 488, 499.

¹⁶¹Corti, *Rise*, pp. 233f. Emphasis added.

¹⁶²Schwemer, *Geschichte*, vol. II, pp. 149ff.

¹⁶³Corti, *Rise*, p. 290.

¹⁶⁴Kracauer, *Geschichte der Juden*, vol. II, pp. 500ff.

This campaign was not a total failure. A year after his letter to Princess Lieven, for example, Amschel was able to celebrate the hostile Austrian delegate Buol's recall from Frankfurt and the arrival of the more sympathetic Münch-Bellinghausen.¹⁶⁵ And, writing from Berlin in March 1822, Heine detected "better prospects" that the Jews would win back their citizenship. Yet Princess Lieven's private reaction to Amschel's letter was revealing: it was, she told Metternich, "the funniest letter imaginable ... Four pages of sentiment, begging my help for the Jews of his town, and I, the patroness of the Jews! There is a kind of naive confidence in it all, which is at once laughable and touching."¹⁶⁶ If this was how Metternich felt too, the brothers' efforts in Vienna may have been less productive than they imagined. In the end, the Frankfurt authorities made only the most minimal concessions. Although there was to be no return to the ghetto – in itself a cause for relief rather than rejoicing – a plethora of restrictions on Jews remained, and their citizenship was clearly of the second-class variety. The new law confirming the "private citizen's rights" of the "Israelite citizens" (1824) excluded the Jews from political life as before; imposed restrictions on their economic activities; subordinated the community to a Senate commissioner; permitted, as before, only fifteen Jewish marriages a year (only two of which could be with outsiders); and restored the Jewish oath in the law courts.¹⁶⁷ Most of these rules – including the restriction on marriages to Jews from outside Frankfurt – remained in place until 1848. Indeed, the Frankfurt Jews did not secure full legal equality until 1864.

The Rothschilds were not much more successful in Austria itself. In January 1837 Salomon addressed a "special appeal" to Metternich concerning "the destiny of my co-religionists ... the hopes of so many fathers of families and the highest aspirations of thousands of human beings".¹⁶⁸ His specific request was that Jews in Austria be allowed to own land. But the government once again refused to grant any relaxation of discrimination – lest "the public ... suddenly draw the conclusion that full emancipation of the Jews is contemplated". The pattern was repeated elsewhere. On at least two occasions, Salomon protested through Metternich against ill-treatment of the Jewish community of Rome.¹⁶⁹ Probably the most effective action the Rothschilds took on behalf of their "poorer co-religionists" in this period concerned the Jews of Damascus, who were accused in 1840 of the murder of a Sardinian Capuchin friar named Father Tommaso and his servant Ibrahim. James de Rothschild made full use of his position as Austrian consul general in Paris to lobby for the release of the Jews accused of the crime.¹⁷⁰

Such interventions gave lie to the charges which had been levelled at the Rothschilds in the 1830s of indifference to the fate of their fellow Jews.¹⁷¹ For the

¹⁶⁵Corti, *Rise*, p. 323.

¹⁶⁶Princess Dorothea Lieven, *The Private Letters of Princess Lieven to Prince Metternich, 1820–1826*, London 1948, p. 126.

¹⁶⁷Heuberger and Krohn, *Hinaus aus dem Ghetto*, p. 38.

¹⁶⁸Corti, *Reign*, pp. 174f.

¹⁶⁹*ibid.*, pp. 137–140, 176f. See also Muhlstein, Anka, *Baron James: The rise of the French Rothschilds*, London 1983, p. 105.

¹⁷⁰Jonathan Frankel, *The Damascus affair: "Ritual murder", Politics and the Jews in 1840*, Cambridge 1997.

¹⁷¹Robert Liberles, "The Aristocrat and the synagogue: The Rothschilds and Judaism", in Georg Heuberger (ed.), *The Rothschilds: Essays on the History of a European Family*, Sigmaringen 1994, pp. 95ff.

Rothschilds, however, the real significance of the Damascus affair can be understood only when it is set in its diplomatic context. For the Damascus affair presented James with an ideal opportunity to undermine the position of the French politician Adolphe Thiers, who had become premier a matter of weeks after the supposed “murder” of Father Tommaso. Similarly, Metternich welcomed the chance to challenge the French claim to defend the interests of Catholics in the Holy Land – hence his tolerance of James’s conduct in the affair.¹⁷²

This coincidence of interests was characteristic of the Rothschild-Metternich relationship in the 1840s. It was typical of the sense of mutual support that when Nathan’s son Lionel was elected an MP in 1847 – the first step in the tortuous campaign to secure admission of Jews to the House of Commons – Metternich sent a letter of congratulation.¹⁷³ Did he perhaps fail to see that this was a victory for precisely that liberalism he had for so long sought to resist? By the same token, did the Rothschilds fail to see that their intimacy with Metternich might make them vulnerable to a general liberal advance?

VII

The 1848 revolutions had their roots in the 1847 economic crisis: they were as much a crisis of the financial as of the political order. As early as January of that year Metternich requested Salomon to return urgently from Paris “to contrive some plan which would ward off the crisis of the [financial] market”.¹⁷⁴ By the end of September, it seemed that he had succeeded in “averting [an] immeasurable calamity”.¹⁷⁵ However, the failure of the Haber bank in Frankfurt proved to have potentially disastrous implications for Eskeles, whom he owed 1 million gulden. With Metternich’s instructions in mind, Salomon informed the Frankfurt house on December 23 that he and Sina had agreed to bail Eskeles out.¹⁷⁶

The transmission mechanism which linked the economic crisis – of which Haber’s failure was but one symptom – to the political crisis of 1848 was fiscal. All over Europe, the combination of rising expenditures (first on railways, then on social palliatives, finally on counter-revolutionary measures) and falling revenues (as earnings and consumption slumped) led inevitably to government deficits. Between 1842 and 1847, for example, Austrian expenditure rose by 30 per cent.¹⁷⁷ So deeply ingrained was Salomon’s habit of lending to the government that, when he was approached for a new loan of 80 million gulden in February 1847, he “thanked God” for “an extremely good business”.¹⁷⁸ It was to prove anything but that. Along with Sina and the foundering Eskeles, he had taken on 2.5 and 5 per cent bonds worth 80 million

¹⁷²Details in Ferguson, *World’s Banker*, chapter 14.

¹⁷³RAL, T7/100, Salomon, Vienna, to Anselm, Frankfurt, Aug. 5, 1847.

¹⁷⁴RAL, T7/135, James, Paris, to his nephews, London, Jan. 14, 1847.

¹⁷⁵RAL, T7/101, Salomon, Vienna, to his son, Frankfurt, Sept. 18, 1847; RAL, T7/102, same to same, Sept. 19; RAL, T/103, Salomon to Metternich, Sept. 19; RAL, T7/49, Charlotte, wife of Anselm, Paris, to her mother, Hannah, Sept. 27.

¹⁷⁶RAL, T7/132, Salomon to MAR, Dec. 23, 1847.

¹⁷⁷Calculated from B.R. Mitchell, *European Historical Statistics, 1750–1975*, London 1975, pp. 370ff.

¹⁷⁸RAL, T7/94, Salomon, Vienna, to de Rothschild Frères, Feb. 15, 1847.

gulden nominal, in return for which the bankers had to pay the government 84 million in cash in instalments spread over five years.¹⁷⁹ This would have been good business only if five years of peace and prosperity had been at least probable.

Ostensibly, the government wanted the money to finance new railways: that was what Salomon told the Rothschilds' Russian agent when he tried to sell "a considerable sum" of the new bonds to the Tsar.¹⁸⁰ By November 1847, however, Austria was arming in preparation for intervention in Lombardy and Venetia, where insurrection seemed imminent. Salomon knew this because Metternich had told him. Yet instead of being alarmed he went so far as to offer more financial assistance.¹⁸¹ Incredibly, he agreed to lend a further 3.7 million gulden in return for 4 per cent bonds, which he furthermore pledged not to sell on the already stretched market: they would, he promised Kübeck, remain "in his own safe" in return for interest of 4.6 per cent.¹⁸² With short-term rates in London at this time standing at 5.85 per cent and the price of 5 per cent metalliques already ten points lower than they had been three years before, this was an extraordinary decision. Even as Salomon's proposal was being discussed, Kübeck was warning that intervention in Italy would lead to "the complete breakdown of our finances". "We are on the verge of an abyss," he told Metternich presciently.¹⁸³ Metternich was undaunted. When Salomon began to get cold feet in January, he angrily told him: "Politically, things are all right; the exchange [rate] is not. I do my duty but you do not do yours."¹⁸⁴

As with his advance to Eskeles, Salomon's undertakings to the government were made without reference to the other Rothschild houses. "We have very curious letters from Vienna," Nathan's son Nat wrote to his brothers at around the same time:

Our good Uncle is full of Austrian Metallics 2[.5]% & 5% & how he will get out on such markets the Lord knows – Prince Metternich takes our good Uncle in so that he may continue his financial operations, I fancy the F'furt house will find a little difference in their balance the next time they make it up.¹⁸⁵

This was to prove a serious understatement. When the first efforts were made to compute Salomon's commitments in February 1848, the total approached 4.35 million gulden (around £610,000).¹⁸⁶ That was more than double the capital of the Vienna house in 1844. Now the Rothschilds too were on the edge of an abyss.

It was, needless to say, from a Rothschild courier that Metternich received the news of the fall of Louis Philippe. "Eh bien, mon cher, tout est fini," he is said to have commented, though his subsequent remarks to Salomon were more bullish.¹⁸⁷ It was

¹⁷⁹Corti, *Reign*, p. 251; Gille, *Maison Rothschild*, vol. I, pp. 324f.

¹⁸⁰AN, 132 AQ 5748/3M9, Salomon, Vienna, to Gasser, St Petersburg, April 4, 1847; Salomon to James and Anselm, Paris, May 1.

¹⁸¹Corti, *Reign*, p. 256.

¹⁸²*ibid.*, pp. 245ff.

¹⁸³Udo Heyn, 'Private Banking and Industrialization: The Case of Frankfurt am Main, 1825–1875', unpublished DPhil. thesis (University of Wisconsin, 1969), pp. 358–372.

¹⁸⁴Alan Sked, *The Survival of the Habsburg Monarchy*, London – New York 1979, p. 113.

¹⁸⁵RAL, XI/109/65B/2/12, Nat, Paris, to his brothers, London, undated, c. Jan. 1848.

¹⁸⁶RAL, XI/109/65A/67, Salomon, Vienna, to his brothers, son and nephews, Feb. 12, 1848; RAL, XI/109/65A/93, Anselm, Frankfurt, to James, Feb. 17.

¹⁸⁷Sheehan, *German History*, p. 662.

indeed all finished. On 13 March crowds of demonstrators clashed with troops outside the hall where the Lower Austrian Estates were meeting. The next day Metternich resigned, fleeing westwards in disguise and, as we have seen, with only a credit-note from his faithful banker Salomon to pay his family's passage to England.¹⁸⁸

For his part, Salomon interpreted the revolution variously: as an avoidable political mishap attributable to the incompetence of Louis Philippe, the vanity of Princess Metternich and the irresponsibility of Palmerston, or a world-historical upheaval on a par not just with 1789 but with the Peasants' Wars, the Crusades and a biblical plague of locusts. Whichever it was, he regarded it as a divine test of his religious faith.¹⁸⁹ Unlike Metternich, he attempted to stay in Vienna. Despite regularly hearing the sound of "drumming in the streets" in the weeks after March 13, he did not quit the city until June, and then elected to settle with Amschel in less than tranquil Frankfurt.¹⁹⁰ His son Anselm hung on until October 6–7, when armed revolutionaries took up positions on the roof of the Rothschild offices following the lynching of Count Latour outside the War Ministry and the storming of the Arsenal, which was next door but one to the Rothschild office. So dangerous had the city become by this stage that when Moritz Goldschmidt returned to rescue the bank's papers, he had to disguise himself as a milkman.¹⁹¹

1848 marked the end of a thirty-year partnership between Metternich and Salomon von Rothschild. The denouement was revealing. The revolution had rendered Metternich not only powerless but also poor, as Carl's daughter Charlotte remarked:

His castle at Johannisberg has been appropriated because he has not paid his taxes for the past nine years ... The Prince has never owned a large fortune. In his past youth he lived extravagantly and later had to settle the debts of his son. Now he has a large family to provide for and educate. His financial affairs have only recently been put in order by Uncle Salomon.¹⁹²

Somewhat liberal in her own inclinations, Charlotte had little sympathy for the prince's plight and shared the Frankfurt partners' disinclination to give further financial assistance.¹⁹³ Yet her husband Lionel felt a sense of familial obligation to "Uncle". In June, Metternich was given a 323,000 gulden advance, secured against his (heavily depreciated) railway shares.¹⁹⁴ A further loan of 5,500 gulden to Princess

¹⁸⁸CPHDCM, 637/1/316, Metternich, Arnheim, to Salomon, Vienna, April 3, 1848.

¹⁸⁹RAL, XI/109/J/48, Salomon, Vienna, to his brothers, son and nephews, March 3; same to same, March 4; March 8; March 16; March 19; March 21; March 22; March 23; RAL, XI/109/67, Salomon to Amschel, Frankfurt, April 4; RAL, XI/109/67, same to same, April 6; Salomon to James, April 22; Salomon to Amschel, May 16.

¹⁹⁰RAL, XI/109/67, Anselm, Vienna, to Amschel, May 26, 1848; same to same, May 28; RAL, T8/54, Anselm to NMR, May 27; RAL, XI/109/67, Salomon to Amschel, June 8; RAL, XI/109/67/1, same to same, June 9; RAL, RFamP/D/1/2, ff. 132–133, Charlotte Diary, Aug. 21.

¹⁹¹RAL, XI/109/69A/2, Anselm, Sensing, to Lionel and Anthony, Nov. 5, 1848; same to same, Nov. 6; Nov. 7. Cf. Goldschmidt, *Erinnerungen*, pp. 36f.

¹⁹²RAL, RFam P/D/1/1, Charlotte Diary, March 20, 1848.

¹⁹³RAL, RFamP/D/1/2, ff. 115f., Charlotte Diary, Aug. 20, 1848.

¹⁹⁴CPHDCM, 637/1/18/16, Extract from Metternich's current account, June 30, 1848.

Melanie appears in the Vienna house's books for November 1848, and by the following year the combined debts of the Metternichs stood at 216,500 gulden.¹⁹⁵ In addition, the repayments on the second half of the 1827 loan – which were supposed to be completed by 1859 – were rescheduled, so that a substantial sum was still outstanding at the end of the 1870s.¹⁹⁶

In the same way, it was mainly the London Rothschilds who rescued the bankrupt house of Salomon von Rothschild. As Anselm discovered when he arrived in Vienna, his father's position was disastrous: in all, his obligations were closer to 8 million gulden. Salomon was in no position to pay such sums when they fell due, as the greater part of his assets were industrial shares which the revolution had rendered unsaleable.¹⁹⁷ He was, as he told his brothers, "in the most painful situation that ever existed".¹⁹⁸ Salomon pledged all his houses and estates as securities for the money he owed the Frankfurt house; but, as none of these were realisable, the valuation he gave them (5 million gulden) was purely notional.¹⁹⁹ There were bitter recriminations between father and son over the financial morass into which the Vienna house had sunk.

Yet, for all their differences, it did not take long for Anselm to start acting very much as his father had done before the revolution. He was keen from the outset to see Radetzky give "a good licking" to the Piedmontese armies.²⁰⁰ And by late February 1849 he was beginning to receive the kind of inside information about Austrian diplomacy which his father had for so long taken for granted.²⁰¹ He was soon following in Salomon's footsteps by egging on Schwarzenberg against Piedmont.²⁰² Anselm also enthusiastically welcomed the Russian intervention in Hungary, conscious that Windischgrätz alone could not win.²⁰³ As early as July 1849, he raised the idea of a new Rothschild loan to Austria, as well as urging the Paris house to provide the Russian army in Hungary with financial assistance.²⁰⁴ He also began to involve himself in the efforts to stabilise the Austrian exchange rate, which war and the suspension of silver convertibility had seriously weakened.²⁰⁵ By mid-

¹⁹⁵CPHDCM, 637/1/11/1–16, Aufnahme [S. M. Rothschild] am 30. Nov. 1848, Nov. 30, 1848; CPHDCM, 637/1/12/34–7, Zusammenstellung [Vienna house], July 24, 1849.

¹⁹⁶Berghoeffer, *Meyer Amschel*, pp. 209ff.; Palmer, *Metternich*, p. 318.

¹⁹⁷RAL, XI/109/J/48, Salomon, Vienna, to his brothers, son and nephews, March 2, 1848; same to same, March 10; RAL, XI/109/65, March 29; March 30; March 31; CPHDCM, 637/1/12/1–2, SMR to MAR, April 9.

¹⁹⁸CPHDCM, 637/1/11/1–16, Aufnahme, Nov. 30, 1848.

¹⁹⁹RAL, XI/109/67, Salomon, Vienna, to Amschel, Frankfurt, April 7, 1848; same to same, April 8; April 9.

²⁰⁰RAL, XI/109/67/1, Anselm, Vienna, to his cousins, London, June 21, 1848.

²⁰¹RAL, XI/109/70/2, Anselm, Vienna, to James, Paris, Feb. 22, 1849; Anselm to his cousins, London, Feb. 27; RAL, XI/109/70/3, same to same, March 3.

²⁰²RAL, XI/109/70/3, Anselm, Vienna, to his cousins, London, March 20, 1849; Anselm to James, March 21.

²⁰³RAL, XI/109/71/1, Anselm, Vienna, to James, Paris, April 13, 1849; Anselm to his cousins, London, April 23; RAL, XI/109/71/2, same to same, May 2; May 5; May 29.

²⁰⁴RAL, XI/109/72/1, Anselm to James and Gustave, July 4, 1849.

²⁰⁵RAL, XI/109/71/3, Anselm, Vienna, to James and Gustave, June 16, 1849; Salomon, Vienna, to James, Paris, June 30. See also RAL, XI/109/73/3, James, Paris, to his nephews, London, Nov. 8.

September a small Austrian loan had been arranged in the form of a 71 million gulden issue of treasury bills.²⁰⁶

The commitment to the forces of monarchical reaction that these transactions implied aroused some disquiet among members of the family in France and London, where support for Hungary was widespread. Salomon's daughter Betty can hardly have been indifferent to the bitter sentiments expressed in Heine's pro-Magyar poem, "Germany in October 1849", a copy of which he sent her.²⁰⁷ But Anselm had no time whatever for his English cousins' "uneasy" expressions of pro-Hungarian feeling, advising "your good English folks [to] stick to Ireland & its Potato crop, & keep their arguments for their objects".²⁰⁸

To the disappointed revolutionaries of 1848 – not least Marx – the moral was plain: "Thus we find that every tyrant is backed by a Jew ... In truth, the cravings of the oppressors would be hopeless and the practicability of war out of the question, if there were not ... a handful of Jews to ransack pockets."²⁰⁹ Yet this over-simplified the nature of the relationship between the Rothschilds and the Metternichian system. The Rothschilds were more than mere bulwarks of reaction, just as Salomon von Rothschild was more than a court Jew. The sheer scale and international character of their wealth elevated them far above their eighteenth-century precursors. Nor were they ever unambiguous supporters of Metternichian policy. Sometimes their own economic interests ran counter to the prince's habitual strategy of "containment"; indeed, it was Salomon's cardinal mistake in 1847 to fail to see the conflict between his firm's solvency and the action Metternich intended to take in Italy. Above all, it was impossible for Metternich to rely as closely as he did on the Rothschilds for both personal and public finance without making at least some fundamental concessions to the forces of liberalism. "If I am asked" – as he wrote to Salomon as he fled incognito into exile – "whether [the revolution] could have been avoided by what naive utopians call Reform, I reply with a categorical *No*." Yet the concessions that Salomon had managed to wring from him – economic concessions in the form of his railway, social concessions in the form of his exemptions from anti-Jewish legislation – had implications that were (whatever Metternich might have told himself) progressive. In his 'Memorandum on Ludwig Börne' (1840), Heine had shrewdly identified the fundamental contradiction which underlay the Rothschild-Metternich relationship. "No one", he had argued, "does more to further the revolution than the Rothschilds themselves ... and, though it may sound even more strange, these Rothschilds, the bankers of kings, these princely pursestring-holders, whose existence might be placed in the gravest danger by a collapse of the European state system, nevertheless carry in their minds a consciousness of their revolutionary mission":

I see in Rothschild one of the greatest revolutionaries who have founded modern democracy. Richelieu, Robespierre and Rothschild are for me three terroristic names, and they signify the gradual annihilation of the old aristocracy. Richelieu, Robespierre and

²⁰⁶RAL, XI/109/72/2, Anselm, Vienna, to James, Homburg, Aug. 4, 1849; AN, 132 AQ 5749/3M11, SMR to deRE, Aug. 18; RAL, XI/109/72/3, Salomon, Vienna, to his brothers and nephews, Sept. 19.

²⁰⁷RAL [formerly CPHDCM], 58-1-403/2, Heinrich Heine, 'Deutschland im Oktober 1849' [copy].

²⁰⁸RAL, XI/109/71/3, Anselm, Vienna, to his cousins, London, June 28, 1849.

²⁰⁹Quoted in Derek Wilson, *Rothschild: A Story of Wealth and Power*, London 1988, p. 117.

Rothschild are Europe's three most fearful levellers. Richelieu destroyed the sovereignty of the feudal nobility, and subjected it to that royal despotism, which either relegated it to court service, or let it rot in bumpkin-like inactivity in the provinces. Robespierre decapitated this subjugated and idle nobility. But the land remained, and its new master, the new landowner, quickly became another aristocrat just like his predecessor, whose pretensions he continued under another name. Then came Rothschild and destroyed the predominance of land, by raising the system of state bonds to supreme power, thereby mobilising property and income and at the same time endowing money with the previous privileges of the land.²¹⁰

As he looked forward gloomily to his new “bürgerlich” existence in England, Metternich still dismissed the idea of political reform as “a dance with torches on powder kegs”. Yet in banking with (and on) the Rothschilds he was, in his own way, playing with fire. The ease with which the Rothschilds were able to restore and indeed expand their business after the prince's fall was the best proof that they no longer needed him. In that sense, the “system of state bonds” did indeed prove as revolutionary as any of those political systems Metternich had sought to suppress – perhaps more so.

²¹⁰Heinrich Heine, ‘Ludwig Börne’, in *Sämtliche Schriften*, vol. IV, Munich 1971, p. 28.